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## NEWS SUMMARY

### Bonn firm as deadlines pass

Pope Paul last night offered to take the place of 86 hostages aboard the hijacked Lufthansa Boeing 737 at Mogadishu airport, Somalia, after the four hijackers had shot dead the pilot and extended their deadline for meeting their demands to 00.30 GMT to-day.

The pilot, Captain Juergen Schumann, was reported to have been shot during an argument with the hijackers over the airworthiness of the aircraft after it had apparently been damaged during landing at Aden, where the South Yemen authorities blocked the runway.

In a message of condolence to the pilot's family, Pope Paul said: "If it would be useful, we would offer our own person for the liberation of the hostages."

Herr Hans Juergen Wisniewski, Minister of State at the West German Chancellery, arrived at Mogadishu yesterday afternoon to re-open negotiations with the hijackers after they had been refused permission to stay in Aden.

But Bonn stood firm against their demands for freeing the 11 German terrorists and two Palestinians held in Turkey and providing \$15m. as earlier deadlines of 14.00 and 14.30 passed without threats to blow up the airliner being carried out.

There was no word from the Red Army Faction who, apparently operating in conjunction with the hijackers, had threatened to kill Dr. Hans-Martin Schleyer, the industrialist, on Sunday, unless the demands were met.

After the shooting of the pilot, Lufthansa said that the co-pilot would be able to fly the aircraft but only under "normal technical and climatic conditions." They also referred to the "extreme mental strain" under which he would have to work.

Reports from Majorca said that a separate aircrew were among the hostages.

The jet was hijacked last Thursday while on a flight from Majorca to Frankfurt, carrying mainly German holidaymakers. The leader of the terrorists is a Palestinian, two are thought to be German, and the fourth may be an Iranian girl.

### Concorde to land at New York airport to-morrow

BY STEWART FLEMING IN NEW YORK AND MICHAEL DONNE IN LONDON

Concorde will land for the first time at New York's Kennedy Airport to-morrow, following yesterday's decision by the U.S. Supreme Court authorising flights to Kennedy by the supersonic jet.

The Supreme Court's decision effectively ended a 19-month legal battle between the authority and the two airlines, who throughout have been strongly supported by the U.K. and French Governments.

The first flight will be a "technical proving flight" from Toulouse to Kennedy, carrying in technicians of the two airlines, British Airways and Air France, and from the two manufacturers, British Aerospace and Aerospatiale.

It will be designed to familiarise flight crews with the landing and ground handling procedures at Kennedy, and to carry out noise-abatement tests for the authority.

This will be followed over the next few weeks by between four and six more proving flights.

The first commercial flights with fare-paying passengers will be on November 22, with both airlines starting simultaneously from Paris and London, as they did with the start of flights to Washington in May last year.

From London, the Concorde single fare will be £407.50, against the normal first-class single rate of £337.50. Return fares will be double the single rates.

The Supreme Court's decision, clearing the way for Concorde, took the form of denying a stay of execution sought by the authority against an earlier appeals court ruling that Concorde could fly into Kennedy in a 19-word statement, the Supreme Court said: "The application for a stay, presented to Mr. Justice Marshall and by him referred to the Court, is denied."

The authority is expected to seek leave to petition the Supreme Court for permission to have a full hearing of the original appeals court ruling.

But it could take several weeks before the Supreme Court decides to accept a petition, and then several months more while the petition was being heard.

Thus, it is difficult to see how the authority can continue its delaying tactics, particularly since any new initiatives it takes could be heard in the same courts that have already listened to and ruled on the Concorde case.

The two airlines' decision to get the first Concorde into New York within two days of the Supreme Court's judgment may reflect anxiety lest the authority attempt further to delay the situation.

Yesterday, the authority began holding public hearings on new noise rules, two of which, if they went into effect, could close Kennedy to Concorde, and one of which would allow only a three-month trial.

But the authority is under a legal ruling that any noise rules it lays down must not be arbitrary, discriminatory or unreasonable, and it could not execute such new rules without affecting other supersonic jets.

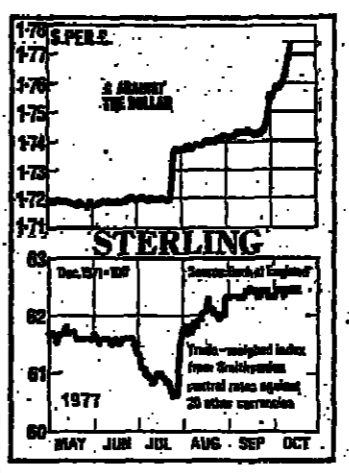
It is pointed out, however, that the flights which are now likely to start will be in fulfilment of the U.S. Government's own wishes that there should be a 16-month trial of Concorde at Kennedy, as there has already been at Dulles Airport, Washington.

This means that Concorde still has to run the full gamut of objections from environmentalists and others, and its performance will be closely monitored throughout that period.

At the end of it, the noise and pollution levels will be examined, and a final decision on the longer-term future of Concorde at Kennedy will then be taken.

The two airlines and two manufacturers remain confident that, despite the persistent objections of the Port Authority, and of the environmental groups around Kennedy Airport, Concorde can meet the authority's requirement of a departure noise level from supersonic jets no higher than 112 Perceived Noise Decibels (PNDB).

This will be achieved by making a steep turn to the left shortly after take-off from Runway 13L, which will take the aircraft out over Jamaica Bay.



### Dollar falls: gold up to \$160

BY MICHAEL BLANDEN

THE DOLLAR fell sharply again in early exchange market dealings yesterday, while the price of gold rose to its highest level for more than two years as a result of the continuing currency uncertainties.

The gold price went above the \$160 an ounce level for the first time since August, 1975. It closed in active trading in London at \$160.

The U.S. dollar fell against all leading currencies, with the single exception of its Canadian counterpart, as a result of continuing concern over the U.S. balance of payments deficit.

The pound at one stage stood over half a cent higher than on Friday at \$1.7375, its highest for more than a year.

Business was quieter in the afternoon, and sterling closed with a gain of 43 points at \$1.7725. Its trade-weighted index against other currencies ended the day unchanged at 62.4, after reaching 62.5 in early dealings.

### Varley warns stewards in Leyland vote

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

NO AMOUNT of public money will save British Leyland unless it sorts out its troubled industrial relations problems, Mr. Eric Varley, the Industry Secretary, warned last night.

In words clearly intended to influence Leyland shop stewards, who consider the company's proposed package of reforms to be a "sell-out," Mr. Varley stressed the gravity of the problems confronting the State-owned concern.

He said that improvement would come only if Leyland achieved output and quality targets.

Despite the commitment of £300m. of Government money, Leyland Cars' U.K. market share had slumped from 33 per cent to 23 per cent, and that was something which had to be put right quickly.

From his comments it is clear that Mr. Varley does not want to be personally involved in the problems of Leyland at this stage. He repeatedly said that it was for management and the unions to work out their labour relations difficulties.

If to-day's meeting fails to persuade the unions to accept bargaining reform it could well start moves which would eventually require Government action. A likely sequence of events might include:

- Leyland would have to decide whether to accept the verdict of the stewards, or appeal over their heads in a direct ballot of the workers.
- The idea is actively being canvassed because it is thought that although a big majority of Transport and General Workers' Union stewards are against the company's centralised bargaining plans, many rank-and-file favour the package of reforms.
- Without the agreement of the stewards, or workers Leyland must go to the National Enterprise Board, its major shareholder, and admit that it has been unable to achieve an adequate reform of its industrial relations. An improvement in industrial relations demanded by the NEB for further funds to be injected into Leyland.
- The NEB must then make new rules for provision of further finance. It is thought the Board already has requirements for a reorganisation, involving some degree of divisionalisation and separation between its widespread activities.
- The NEB plans would have to go to the Department of Industry for approval.
- Mr. Varley yesterday said that the Government would consider any recommendations by the NEB, but he has already rejected reports that "secret plans" were being drawn up in the Department of Industry.
- Mr. Derek Whitaker, managing director of Leyland Cars, gave a vigorous defence of the company's management.
- Managers and supervisors were often working 12 or more hours a day, six or seven days a week.
- "I tell you with the greatest possible conviction there is nothing wrong with the experience, ability or total commitment of the Leyland Cars or British Leyland management."
- The key problem, he went on, was that the company was unable to supply its customers because of strikes and poor utilisation of equipment and over-manning.

### GENERAL

#### Schmidt in talks with Callaghan

An informal meeting is to take place between Mr. James Callaghan and Herr Helmut Schmidt in Bonn to-day. The talks are expected to provide an opportunity for announcing a settlement to the offset costs issue, as well as for efforts to re-look the Anglo-German stalemate in several areas of policy regarding the European Community. Back Page

### BUSINESS

#### Equities and gilts easier in dull trade

LEADING EQUITIES weakened, but then rallied to regain some ground. The FT 30-Share Index, down 7.5 at 1000, closed at 499.1, off 0.9 on the day. Gold Mines advanced in line with the hullion price.

GILTS were easier, the FT Government Securities Index slipping 0.12 to 76.63.

STERLING closed at \$1.7723, a gain of 43 points, after touching \$1.7731, but its trade-weighted index closed unchanged at 62.4. Dollar's trade-weighted index was 1.35 (1.36) per cent. Canadian dollar weakened.

GOLD rose \$1.75 to \$160.125.

WALL STREET fell 1.30 to 820.34.

S.U. TREASURY Bill rates rose at the weekly auction: three 6.25% (6.15%), six 6.49% (6.38%) per cent.

U.S. STEEL industry has intensified its efforts to stem the inflow of foreign imports, with five companies filing a complaint alleging that Japanese and Indian producers are dumping steel wire strand in the U.S.

#### Meeting postponed

Talks between Mr. Joshua Komo and Mr. Robert Mugabe, leaders of the two Rhodesian nationalist guerrilla movements, unifying their armies and forming a joint political party, to take place to-day, have been postponed.

#### Dissident 'guilty'

The chief defendant in the trial of Czechoslovak dissidents has been found guilty of subversion according to reports from Prague. About 20 human rights activists were detained for questioning earlier, after trying to gain access to the court. In answer, a human rights group protested against the trial and called on the Belgrade conference to take a stand on the issue. Page 5

#### Indo-Indian talks

India's External Affairs Minister requested talks with Peking to re-establish normal relations, which have not been fully restored since the border war in 1962. However, India is not seeking to open negotiations on the disputed border area. Page 7

#### Film man dies

Michael Balcon (81), producer of the Ealing film comedies, died at his home in Sussex on Monday night. He made his first film in 1914, aged 24.

#### White South African woman

Arrested for one year for refusing to give evidence in a case against Winnie Mandela.

#### Every workers in Birmingham

are expected to agree to a new beer supplies next week for the Fox and Goose pub, which has been without beer for two years. Page 15

#### Benjamin Fortes (59), who

gave a chimpanzee's heart to Dr. Christian Barnard four years ago, has died.

### Nestlé and Bayer in U.S. pharmaceutical bids

BY NICHOLAS COLCHESTER

TWO EUROPEAN multi-national companies are bidding for a stake in the U.S. pharmaceutical industry at an aggregate cost of \$550m.

Nestlé, the Swiss-based foods group, yesterday announced plans to offer \$42 per share in cash for Alcon Laboratories, a company making eye medicines and other pharmaceutical products with a head office in Fort Worth, Texas. These terms have been agreed with the Alcon Board.

At the same time, Bayer, the West German chemical group, disclosed that it had agreed to terms of \$47 a share for the takeover of Miles Laboratories, the well-known pharmaceutical product is Alka Seltzer.

Nestlé said that its offer was to be made as soon as possible following "Nestlé Board approval and completion by Nestlé of financial and operational review of Alcon. The company added Miles management but yesterday it was announced that the offer would probably be made in about four weeks' time. The planned offer would value Alcon at \$276m. The American company recorded sales in the year to April 30, 1977, of \$51.6m, and net profit of about \$8m. About 43 per cent of the company's sales are outside the U.S. and there are Alcon plants in France, Belgium, Spain and other American countries.

Nestlé already has 35 per cent of its Sw.Frs.190m. turnover in the U.S. through Nestlé Enterprises which controls such well-established companies as Stouffer Corporation and Libby McNeill. This offer is, however, its first move into pharmaceuticals.

Bayer announced at the end of September that it was ready to offer at least \$40 a share for Miles Laboratories, as part of its campaign to make Bayer a major force in the U.S. chemicals and related products market. This initial approach took the form of a letter of intent, but yesterday it was announced that the two sides had agreed to terms of \$47 a share. This involves a total purchase price of \$254m.

Bayer said from the start that if successful it would make Miles the headquarters of its U.S. pharmaceutical operations. The main threat to the merger now appears to be the possibility of trouble on the anti-trust front. It was announced at the beginning of October that the Federal Trade Commission had been given the task of scrutinising the proposed merger.

Mr. Henry Kollege, vice-president for finance of Alcon predicted last night that Nestlé, which has twice found itself up against the U.S. anti-monopoly authorities, would have no problems this time. "Nestlé has no pharmaceutical interests here," he explained. "We are to be their foothold in this industry in the U.S."

### Spending recovers but lasting improvement still uncertain

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

SPENDING IN shops has recovered in recent months from the very low levels of the late spring and early summer. But the volume of sales is still fluctuating from month to month with no sign yet of a continuing improvement.

The Department of Trade announced yesterday that the volume of retail sales in the third quarter was 2.9 per cent higher than in the previous three months, which had been the lowest level for five years.

The provisional estimate of the volume index for September is 106.5 (1970=100, seasonally adjusted), marginally less than the figure of 107.2 for the previous month, but about 2 per cent above the average for the first half of 1977.

The recovery in retail trade in recent months is the first sign of a pick-up in the level of demand, and economic activity generally. But it is hardly conclusive evidence, in view of the continued depressed trend of other indicators, such as industrial output.

Year	1st	2nd	3rd	4th
1976	107.3	107.4	108.9	108.5
1977	105.0	103.9	106.9	106.5*
April	103.4			
May	104.4			
June	103.8			
July	107.0			
Aug.	107.2			
Sept.	106.5*			
* provisional				

terday that many retailers were not expecting a dramatic change in spending before Christmas.

The slight fall in the volume of spending in September can be explained, in part, by a drop in the purchase of some goods after the end of special sales periods and also, possibly, by the postponement of buying as a result of speculation about a cut in value-added tax.

But even if retail sales do recover further in the current quarter, with durables probably stronger than average, the volume for spending 1977 is still likely to be down on last year. The average level of trade in the first nine months of 1977 was around 3 per cent lower in real terms.

The value of retail sales last month was 14 per cent higher than 12 months earlier, based on non-seasonally adjusted data, and there was a similar average increase for the first nine months of the year.

### New peaks

Other leading currencies reached new peaks against the U.S. dollar, with the Japanese yen moving firmly through the ¥253 to the dollar level to close in London at ¥252.5.

The West German D-Mark rose to DM2.2640 to the dollar, compared with DM2.275 on Friday. The Swiss franc improved more rapidly, reaching a record S.Fr.2.2690 before closing at S.Fr.2.2671 to the dollar.

As a result, the Swiss franc ended only just below parity with the D-Mark.

Mining 'News, Page 25

	October 17	Previous
Spot	\$1.7723	\$1.7680
1 month	0.23-0.25	0.28-0.32
3 months	1.01-1.02	1.05-1.07
12 months	1.65-1.66	1.63-1.65

	October 17	Previous
Spot	\$1.7723	\$1.7680
1 month	0.23-0.25	0.28-0.32
3 months	1.01-1.02	1.05-1.07
12 months	1.65-1.66	1.63-1.65



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FALLS	
Allied Invs.	272d - 24
Bath and Portland	93 - 4
Farnell Electron.	212xd - 124
Hammerman A.	370 - 10
Hunting Gibson	378xd - 10
James Stroud	78x - 5
Mining Supplies	73 - 11
Mothercare	158 - 10
Nash (J. F.) Secs.	60 - 5
Sandeman (G.)	45 - 5
Spink and Son	275 - 25

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LOMBARD

The dollar and its supporters' club

BY ANTHONY HARRIS

MOST OF the argument about the management of the sterling exchange rate is fought out in purely national terms. Of course there is a British problem. We have a range of options and a range of problems which we have to tackle. However the root cause is not to be found in London. Money is not suddenly becoming sterling because the pound is the most attractive currency in the world; it is not such a thing, and punters have recently made much better profits in the Japanese yen. They may well still regard the D-mark as a slightly attractive speculation too. Indeed it is not clear that the pound itself is undervalued, in spite of Friday's excellent trade figures.

Over-valued

The worldwide turmoil is not about the pound, but about the dollar. The dollar is over-valued, and the big price reflect the fact that London offers the most acceptable funkhole. The inflow persists because of official support for the dollar not just by the Bank of England, but by most of the principal central banks. Yen-holders owe their profits to the fact that the Japanese authorities, who are badly worried that their outside surplus will provoke discrimination against them, drop out of this combined operation from time to time.

Since the problem is international, one might suppose that the solution is international. If everyone stopped supporting the dollar, it would find its own level and the speculation would stop. It is interesting to speculate where the pound might wind up if this were done. I doubt that many people would be very heavy against the proposition that sterling could wind up very weak again against the old hard currencies. The effective exchange rate would not rise as a result of the fall of the dollar; but for us the effective exchange rate is not the same thing as the competitive rate. We really need an export-weighted and an import-weighted rate to see precisely what is going on.

However, the question I have raised here is likely to remain a purely academic one, because although we in Britain might live quite happily with a much lower international value for the dollar, it would not look like the Japanese and the Germans.

This is because their exporters are more directly in contention with U.S. industry, ranging from chemicals and steel to the mass production of consumer goods and cars, than ours are. We

Money supply

Monetarists, of course, argue that the adjustments which will follow a policy of supporting the dollar will be even more disruptive than anything feared from allowing the market to have its head. The theory is that the capital flows which are now occurring will sooner or later inflate the money supply in the countries which are supporting the dollar, to a point where inflation will do the job which appreciation might otherwise do—reduce their competitiveness.

This is clearly the worst of all possible worlds but it is very difficult to convince central bankers that they are incapable of controlling the domestic consequences of a foreign inflow. Some of them have been managing quite well for many years, and they refuse to admit that they are slaves to the market. In other words, it is possible for a country to run a balance of payments surplus without suffering inflation as a consequence, and experience proves it.

The would-be free floaters may still be right in their argument that a market adjustment process would work very well if only we did not keep interfering. Unfortunately we do keep interfering, and what no one has explained is how we can suspend that interference without causing quite a lot of disruption. It is even less clear that Britain can afford to drop out of a still active dollar supporters' club consisting of our main competitors.

WINE The questionable vintage of '77 Bordeaux

BY EDMUND PENNING-ROWSELL

VITING the Bordeaux region at vintage time is always a stimulating experience. Stimulating because it is the largest, most varied full of highly articulate growers and merchants ready to discuss affairs at the critical high-point of the year. Heavy on the stamina, as travel distances can be considerable (the Gironde wine district is nearly 100 miles long), invitations to visit are numerous, hospitality is generous, and a tasting of the vintage, contrary to common belief, a very tiring if fascinating business in spite of essential expectation.

This autumn one found a situation somewhat reversed from that obtaining in the two previous years, when the growers, fortified by two good vintages, were optimistic, but wine prices were still suffering from the effects of the 1975-76 slump. Now the merchants—most of them—are much more cheerful, while the growers, faced with the prospect of the poorest vintage for at least five years, are less confident though resigned. For, after all, they have two good vintages in their cellars, much of it already sold. With prices about 50 per cent higher than a year ago, the basic Bordeaux Rouge growers are in good shape; and three good vintages in a row cannot be expected in the Gironde.

So it was the vintage this year—never a good one—as I left Bordeaux, and the date most commonly suggested for full-scale picking was only just over a week ago, the 10th. The most successful estates will be those who manage to bring in their crop in the shortest possible time, but for many it takes a fortnight. So although even provisional results will scarcely be known before the end of the month, there cannot be much hope of a vintage above moderate quality and certainly small in quantity. For until the last month, the weather was exceptionally unfavourable. Spring frosts at the end of March and again at Easter devastated vines as prone in bud after an unusually mild February and early March. Excessively badly affected was the early-budding Merlot. As a result, St. Emilion and Pomerol, especially Merlot country, will produce a particularly small crop. Wine growers are prone to pessimism as other farmers, but at Figeac in St. Emilion only 20 per cent of a normal crop was predicted, and at Vieux Chateau Certan in Pomerol no more than one-third. Then all over the Gironde the

RACING Britain at Sandown

BY DOMINIC WIGAN

CLIVE BRITAIN, who was busy strengthening his Newmarket string at last week's Houghton yearling sales, sends a strong team for today's Sandown fixture, and at least one winner seems sure to come his way.

Forty-three-year-old Britain's best prospect here could well be the lightly raced Zahróf, a son of Wolver Hollow, whose progeny figured prominently at the sales. The short head runner-up to Giab in an exciting race for Yarmouth's Hastings Stakes in which he was caught in the last stride, Zahróf again ran well—but in stronger company—at York early this month. There, the Wolver Hollow boy made a magnificent early running in the valuable Marston Moor Stakes, before tiring in the latter stages to finish third behind Homing and yesterday's Leicester winner, Fast Colour. Sure to be well suited by today's return to five furlongs in the Heather Maiden Stakes, Britain can add to his clear-cut success over Market rival, Swing Alone. Half-an-hour after the Heather Stakes, the same partnership and Overlook, are among the

SANDOWN 2.00-Zahróf... 2.30-Dessima... 3.05-Astor Boy... 3.35-Stannaur... 4.10-Overlook... 4.40-Kadasi... LEICESTER 3.15-Tender Answer... 3.45-The Israelite... 4.15-Who Loves You... LANARK 3.15-Queen of India... 4.15-Sir Desirer... 4.45-Rife Brigade

SALEROOM Bantams set Meissen record

BY PAMELA JUDGE

A PAIR of Kakiemon Bantam cocks produced a new world record for Meissen porcelain in London yesterday when they were auctioned by Christie's for £50,000 to the Antique Porcelain Co.



The £50,000 Bantam cocks which set a new world record for Meissen porcelain at Christie's yesterday.

The previous record for Meissen, at the same rooms, was set last year when a pair of Augustus Rex ginger jars and also for a table fountain. The Kakiemon pair, after Japanese originals, are brilliantly decorated in iron-red, blue, turquoise, yellow, purple, black and gold with turquoise seeds in their tilt beaks. They were one item in the second part of an anonymous collection which fetched £518,950 at the first part of the collection (in March) made just over £1m. Meissen birds in the sale totalled £114,600. Modelled by J. J. Kandler, a pair of Meissen porcelain and Louis XV ormolu caskets fetched £50,000 (Antique Porcelain Co.) who also paid £12,000 for a pair of doves.

In the Sèvres style, a Meissen pink feuille-de-choux service, including tureens, went to an anonymous buyer at £17,500 and an August Rex, a pair of bronze and silver, fetched £10,000. Whinfield Stadel, sold to Whinfield Williams at £18,000. Hubner of Germany gave £12,000 for another Augustus Rex vase, white, Segal of Switzerland gave £10,500 for a pair of doves. Dr. Torr, also of Switzerland, gave £10,000 for an early Meissen

crinoline group and £9,000 for a bought by Lawson of Berkshire. Meissen circular two-handled for £1,800. Icons sold at Sotheby's made £43,682. Kadri, Munich, gave £900 for a Menological icon, and science and medicine made £1,404. The top price of £2,400 depicting the Resurrection and descent into Hell surrounded the first edition of 'Micrographia' by Robert Hooke in 1665. Fox paid £800 for an early copy of a refectory table. The total was £26,548, while a sale gave £10,000 for an early Meissen announcing 'Boyle's Law' was brought in £8,720.

YACHTING BY ALEC BEILBY

'Lost' sloop turns up

HEATH'S CONDOR, biggest yacht in the Whitbread Round-the-World race, and the French sloop Trente-Trois Export, which in some quarters had been feared lost or damaged at sea, both arrived here, within hours of each other late on Sunday evening. The delayed arrival of Heath's Condor was predicted after she had lost 10 days replacing her broken £40,000 mast in Monrovia. Since sailing from West Africa, she had maintained regular radio contact with race officials. Trente-Trois Export had no more than one-third. Then all over the Gironde the

APPOINTMENTS

A. G. Robinson to be Medway Ports Authority chairman

Mr. A. G. Robinson is to be returning to Italy to take up another appointment at the head office, international division in Rome.

Amahd Corporation of Sunnyvale, California, has announced the appointment of Mr. Peter V. Williams as managing director of its recently-formed British company, AMADAH (U.K.). He also becomes general manager, director of industrial systems and, latterly, product management manager responsible for introducing new products.

Mr. L. M. Skinner, financial director of Bookwise Service, has been appointed financial director of WESTBROS PUBLICATIONS.

Mr. Derek Boston has been appointed managing director, and Mr. Michael Butler a director, of WATES SPECIAL WORKS. Mr. Boston, who joined Wates in 1960, became director and general manager of Wates Special Works in 1976. Mr. Butler joined Wates 12 years ago as a surveyor and has been chief estimator of Wates Special Works for the past three years.

Mr. George Williams is named as managing director of HUGHES ENGINEERING COMPANY (LEICESTER). He was previously sales director. Mr. Michael Hughes, who has been managing director since 1968, relinquishes his position to take up the newly-created post of technical director. Mr. Tony Hughes continues as works director.

Mr. Martyn D. Greenacre has been elected a member of the Board of directors of SMITH KLINE AND FRENCH LABORATORIES. Mr. Greenacre joined S.K. & F. marketing division in 1974 and became director of U.K. marketing earlier this year.

CONCENTRIC GROUP has made the following appointments at three subsidiary companies: Concentric Controls, Mr. A. H. Main joins the company as director and financial controller for the Glynned Group. Concentric Pumps, Mr. R. Freeman becomes director and commercial manager. Mr. R. Hickman, director and financial controller. Both are promotions from within the company. Concentric Pressed Products, Mr. C. Thompson, technical manager, is to be director and technical manager.

Mr. T. Glardias has been appointed London representative of BANCO DI SICILIA in succession to Mr. A. Siccia who is

TV Radio

Table with TV and Radio programmes. Includes BBC 1, BBC 2, and various regional channels like South-East only, Nationwide, etc.

F.T. CROSSWORD PUZZLE No. 3495

Crossword puzzle grid with numbers 1-27 indicating starting positions for clues.

- ACROSS 1 Ten arias well arranged (8) 2 Suitors for the birds about one (8) 3 Carriages causing disturbances after tea (8) 10 Near kind of fisherman (6) 11 Finished with the act, upset (8) 12 Worker before the border in Ireland (6) 14 Make a bid indicative of plain speaking (4, 1, 5) 18 They detest a steaks (10) 22 Suit for one in a London suburb (6) 23 The opera to fix previously (6) 24 Conservative among the fashionable crowd is a poor creature (8) 25 To the hospital room—it is regrettable (8) 26 Smoke for the asthmatic (6) 27 Glad rags for the prodigal son (4, 4) DOWN 1 A recuse that gives stability (6) 2 Winds of commerce (6) 3 Advice in this way for religion (6) 4 Consequences following one of the three R's (10) 6 "Stranger by —, wiser men become" (Waller) (6) 7 Facial adornment for a sovereign (8) 8 "Tis the — plague to beguile many" (Othello) (8) 13 Loyalty for instance included in marriage (10) 15 Receive a phone-call—is it an engaged tone? (3, 1, 4) 16 They think only of Number One (8) 17 One whom man has "put asunder" (8) 19 Why get in a stew? The paper is published (6) 20 A girl to take care of in the South of France (6) 21 Irritation, if you get the point (6)

BBC 2

BBC 2 programme schedule including Open University, Play School, Trade Union Studies, Looking at Documentary, etc.

RADIO 1

RADIO 1 programme schedule including Stereotheque broadcast, 4.30 a.m. AS Radio, 7.00 News, etc.

HOME CONTRACTS

Clough Smith has BR cable order

CLOUGH SMITH, Crawley, Sussex, has been awarded a £645,000 contract by British Railways Southern Region. The order is for the construction of cable route and laying cables, Stages I and II of the Victoria area re-signalling scheme. CAPPER - NEILL INTERNATIONAL (PROCESS) Ltd, part of the Capper-Neill Group, has been awarded a contract worth about £400,000 by Bush Works, a division of Albright and Wilson, for the engineering, supply and erection of additional aromatic plant capacity at their Dares Road site in Widnes. Work includes the design, procurement and erection of process plant, been installation of process and service pipework, and supervision of electrical and instrumentation work.

Handwritten signature or mark at the bottom of the page.



Sandown

# Financial Times Tuesday October 18 1977 Dublin carries on by B. A. YOUNG

The Dublin theatre festival gives a cheer this year for so bravely continued a whacking reduction of aid. Festival promoters who claim of poor subdivisions which Brendan Smith shed this year's event: from Irish Arts Council, £11,500; City of Dublin, £7,000; RTE, £5,000; and from sources, £7,000. No mean amount.

ught only the tail-end of well-filled weeks. My taxi's recommendation was Sheridan's Liberty Suit at Olympia, a product of the Arts Centre, Dublin's second year spent in a juvenile prison by an ardent, and I am not Mr. Sheridan (or his Jim, the director) when that his interest is social ch as dramatic. The lead ed by a young actor named Flynn, who five years ago nited of burning down n's business premises in in served two years in in. I sat next to the proprietors of the firm, atched over the fate of the arnisonist with commendaol.

in plays are all much the and this is as good as any.

The daily routine is enlivened by the characteristic Irish back- that a trouble-maker is called a regular George Best. Two good climaxes—a riot after a fight between two boys, and a competition for Entertainer of the Year at the end of which one of the inmates is found hanged in his cell. Mr. Flynn plays his after age with spirit in an almost impeccable Dublin accent; the standard of playing, both of boys, even if they are a little old for juveniles, and of screws, is pretty good. The competing entertainers, Mr. Flynn's Kava, and Peter Caffrey's Kava, have surprised us with their guitars and play them admirably.

At the Project itself I saw only a late-night show. Agnes Bernelle in her own translation of *Conversations about an Absent Lover* by German Peter Falk's life of his family, neighbours, workmates and church. (The Church is always represented by a female figure, the entertaining figure of Eileen Colgan, perhaps to suggest what it replaced in Mr. Baskin's repetitive monologue long before it completed its hour-long duration.

Matt Talbot, hero of Thomas Kilroy's *Tobacco* at the Peacock, the Abbey's 140-seat studio theatre, lived in Dublin's dreadful slums from 1856 to 1925. By the age of 28 he was an alcoholic; he then took the pledge and turned to a life of austerity and devotion, and is now a candidate for canonisation. One thinks of Voltaire on Joan La Pucelle:

Et le plus grand de ses rares travers  
Fut de garder un an son pucelage.

Matt not only kept off the drink, he decked his body with heavy chains to restrain sinful acts and he sat the knees of his trousers to add extra penance to his long hours in prayer. His tomb is now a Dublin showpiece.

Thomas Kilroy's portrait is unsmoking and sympathetic, and John Malloy, as spare as a Buchenwald prisoner, gives him an understanding performance. But Mr. Kilroy has surrounded him with a bunch of comics typifying the reactions to the Father's life of his family, neighbours, workmates and church. (The Church is always represented by a female figure, the entertaining figure of Eileen Colgan, perhaps to suggest what it replaced in Mr. Baskin's repetitive monologue long before it completed its hour-long duration.

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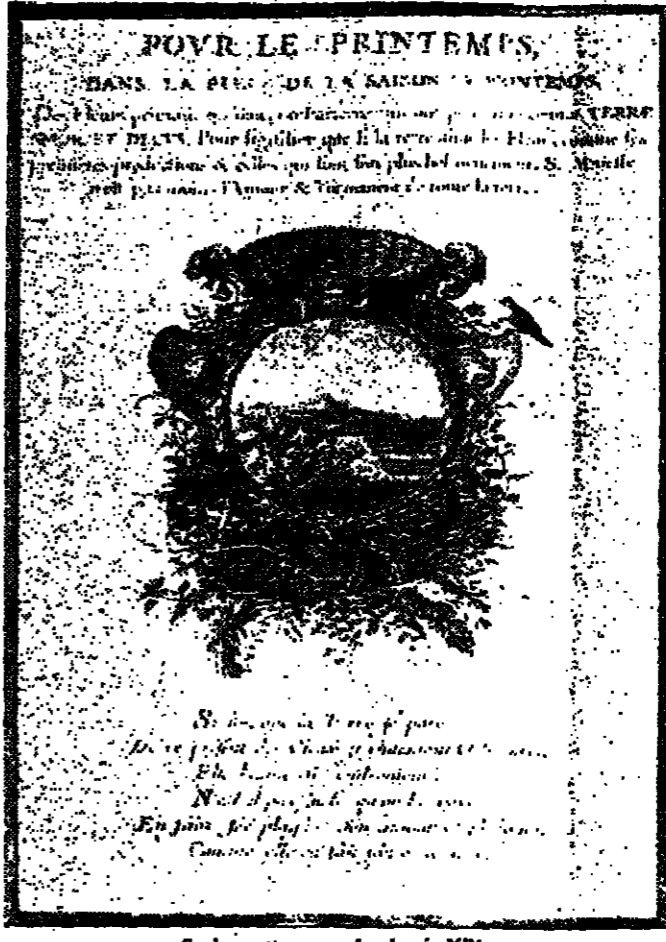
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# L'Orangerie Louis XIV and the Arts by DENYS SUTTON, Editor of Apollo

One of the pleasures of being in Paris is to visit the exhibitions at the Orangerie which are almost invariably selected with discrimination and presented with elegance. The size of the building prevents the sort of mammoth affair which is usually on at the Grand Palais, where instruction rather than aesthetic education is generally the aim.

The purpose of the show at the Orangerie is to present certain aspects of the artistic patronage of Louis XIV and it is a joint venture of the Cabinet des Dessins of the Louvre and the Bibliothèque Nationale. It is a reminder of the immense quantity of treasures that belong to the French State.

Obviously the subject of Louis XIV and the arts is so extensive that no more than a partial treatment can be attempted. It is Louis XIV seen in Paris, as it were, of the public arts, although books and several pieces of sculpture are included. The finest sculpture is



Spring, a tapestry for Louis XIV

(which belonged to Jahach) and a charming drawing of the Maréchal d'Ancre by Dumoustier which was presented to Louis XIV by the comte de Béthune. Another French collector Gaignières owned the magnificent portrait of Pierre Quesset by Nicolas Ponceau.

The King took good care to take possession of the studio works of Charles Le Brun, an artist who had done so much work for the Crown and whose stature is only now being generally realised. He was an all round master whose versatility was complemented by his virtuosity. The exhibition contains, among other works by his hand, a project for the pavilion de Saurme at Marly, which was never used, cartoons for the Escalier des Ambassadeurs at Versailles and designs for furniture. The notes on the sketches for a console table suggest that the origins of the Rococo in the French tradition are more precise than sometimes believed.

Louis XIV took an interest in illuminated manuscripts and would keep in his Cabinet des Curiosités at Versailles the *Heures d'Anne de Bretagne* by Jean Bourdignon, which is a masterpiece of French illumination. François Avril points out that the plants depicted in the book would have appealed to the King who loved flowers and was interested in the natural sciences.

Louis XIV's taste is also shown in the exquisite gradual and antiphonal commissioned by him from the studio at the Hotel des Invalides for the chapel at Versailles. The importance of flower decorations of this sort for the development of French still life painting needs to be remembered. The section devoted to the natural sciences, which includes a series of flowers and drawings of animals and fish, is illuminating and suggests that the quest for encyclopaedic knowledge associated with Buffon and Diderot had its origins in the interests of Louis XIV and his circle.

One room at the Orangerie is devoted to Oriental items that came into the royal collection as the result of gifts from foreign potentates. Other pieces were acquired by French religious missions abroad. This section includes a new dimension to our knowledge of the cultural background of the seventeenth century. The Emperor Kang' shi, for instance, gave Louis XIV an eight-volume treatise on botany and pharmacy which later entered the Bibliothèque Nationale. The illustrations for this work have the elegant touch that later appealed, not only to the devotees of chinoiserie but of japonaiserie. Did such Chinese works rather than Japanese ones count for something in the development of an artist like Braconnet?

This exciting exhibition is a major event which presents a new vision of the grand age of Louis XIV. And in leaving it, one remembers the epigraph which Nancy Mitford gave to her book on the rot and gloom of the *El Petit comarques sans criniste d'être injuste*.  
Le siècle de Louis au beau siècle de Auguste.

The Entertainment Guide is on Page 40

Aligand's *Jupiter foudroyant les Titans*, which was placed by Louis XIV in a niche in the Salon Oval at Versailles: it had a pendant *Junon*.

This sort of exhibition is always done exceedingly well in France, and the two main organisers, Roseline Bacou and Jean Adhemar deserve warm congratulations. The catalogue is a planning volume containing a number of entries with much information of an unfamiliar character.

Shows of this type are able to suggest new interpretations of a period and to inspire further research. The catalogue suggests that much remains to be written about the role of the arts. What a thrilling experience it would prove to see a large-scale exhibition in which the patronage of the King in terms of painting and sculpture was indicated in the notes on the drawings are: Colbert and Fouquet investigated!

Louis XIV was ever anxious to control what was going on, artistically as well as politically. However, it is necessary to distinguish between the monarch's patronage and purchases and the artist's. This point deserves to be

emphasised for a large part of Annibale Carracci which would have pleased Gaspard Dughet from the collection of Everard and has a touch of Prud'homme which the King bought in 1671.

The Dürers are superb and include the masterful *Val d'Arno* and a haunting sheet of studies of the heads of children. The drawings of animals and fish, as well as other drawings in the exhibition, did not belong to Jahach but to the Abbé Marolles whose collection was acquired by Louis XIV in 1667. The notes on the drawings are concise; that on the portrait of an old woman by Grunewald shows that it was called the *Dürer* until the early years of our century.

A few early French drawings came into royal hands, such as an impressive composition of children by Jean Cousin père

## Victoria de los Angeles by ELIZABETH FORBES

recital given at Covent on Sunday by Victoria de los Angeles followed the pattern of similar occasions in years: a group of Italian 15th-century songs was followed by a selection of popular songs after the interval. French melodies paved the familiar, well loved songs that the audience patiently awaiting. For cores another Spanish song, but I will leave that end.

Her back straightened and her chin came up; here eyes flashed; the voice acquired a slight edge but also filled with ringing tone; her diction became crisp, the marvellous sense of humour bubbled over. Songs by Montsalvate, Vives, Turina and Rodrigo gained in quality from the artistry with which she sang them. The playing of Graham Johnson, featherly light in Schubert, sensuously fluent in Schumann's *Der Nussbaum*, was evoked with tenderly, while a gleam of mischievous high spirits irradiated *Vergeblische Stand*.

comfortable stylistically

## Festival Hall Kurt Sanderling by MAX LOPPERT

From East Berlin Kurt Sanderling had brought with him a Serenade by the leading composer Siegfried Matthus (b. 1934) for Sunday's London Philharmonic concert. We know very little of Matthus' music here (although a violin concerto was given on South Bank some while ago); if this unassuming, deftly made short piece is characteristic, we should perhaps insist on knowing more.

It is hard, on a single, scoreless hearing, to discover what it is that makes it attractive. Certainly no remarkable element of originality can be evidenced in its orchestral effects, for all the semitonal string fanning-out, nor is the post-Bartokian "arch" shape a novelty. Perhaps it was that after those dread words "cheerful and lightweight" had been read in the composer's own description of his work, the notable absence of East European Optimism in its character, and the presence there of cool, workmanlike manipulation of materials, formed a strong part of its appeal.

The conductor, who confers distinction and authority on everything he touches, drew from the orchestra strong-toned playing in the Mozart E flat Piano Concerto, K.482. With a large string section (ten first violins down), and a feeling of monumentality and ruggedness to the ensemble, this was a powerful performance in a Beethoven mould, a work that can simply bear it in Annie Fischer's playing, there is always fire; but in the first movement it was flickering uncertainty, damped a little by nervous, smudged articulation. In the *Andante*, taken several degrees more slowly than the word normally implies, pianist, conductor, and orchestra joined together in an emotional, keyed-up, affectingly romantic statement of the music. The sudden turbulence, and later the sudden gaiety, of Miss Fischer's string playing, and the pianist, joined together in an emotional, keyed-up, affectingly romantic statement of the music. The sudden turbulence, and later the sudden gaiety, of Miss Fischer's string playing, and the pianist, joined together in an emotional, keyed-up, affectingly romantic statement of the music.

## Gaumont, Southampton Falstaff by ELIZABETH FORBES

Glyndebourne Touring Opera offers not only a pre-audition of young, up and coming artists in roles that they may well be playing all over Europe and America, but also a different view—pleasing or not, as the case may be—of productions already viewed at the parent Festival in Sussex. Jean-François Fournelle's production of Falstaff, reproduced for the tour by Julian Hope and now in its second season, is perhaps atypical in that the alterations are nearly all on the credit side of the ledger.

To take the few debit entries first: because of the exigencies of touring, Mr. Fournelle's lovingly constructed and three-dimensional Windsor background is replaced by a backcloth, while some changes within the acts take slightly longer than at Glyndebourne itself. The simplification of the setting, on the other hand, is to many people, myself included, a major virtue in itself. The comparative youth of the singers, granted their vocal and dramatic competence, underlines the fact that this opera, written by a wiser man at the end of an illustrious career, is a celebration of youth, of those young in years, like Nannetta and Fenton, or young in spirit, like Falstaff himself.

The outward and visible manifestation of this triumph, the wholly original contribution of Fournelle to the stage, is a less than first-rate Shakespeare play, incarnated by two young baritones of quite exceptional talent and even greater promise, Jonathan Summers and John Banerley, who respectively sing Falstaff and Ford. Wisely neither young man pretends to any great age or decrepitude;

both are at most in their vigorous middle years. But Mr. Rawnsley's jealous monologue has all the corroding bitterness contrails in the part, while Miriam Bowen's Nannetta and Richard Berkeley Steele's Fenton speak with the authentic accents of self-centred youth caught in the vice-like grip of first love.

The spacious, flesh-pink interior of the Gaumont, Southampton, epitome of a thirties cinema palace, is hardly the ideal frame for a 18th-century opera, but the sightlines are good and the acoustics excellent, while the Bourne-mouth Sinfonietta, perhaps because it is so near to its own home ground, plays with the idiomatic ease of an ensemble horn and head to the overall shape of the performance that in no way contradicts or denies the importance of End Hurtle's unexaggerated butions to the whole.

El Petit comarques sans criniste d'être injuste  
Le siècle de Louis au beau siècle de Auguste.

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Anton-Phillips and Christopher Benjamin in Sam Shepard's 'Suicide in S. F.', which opened last night at the Open Space Theatre

## ENTERTAINMENT GUIDE—Cont.

THEATRES	CINEMAS
<p>THEATRE, CC. 427-0572. Mon-Fri 8.30 and 10.30. Sat 8.30 and 10.30. Sun 2.30 and 8.30.</p> <p>THEATRE, CC. 427-0572. Mon-Fri 8.30 and 10.30. Sat 8.30 and 10.30. Sun 2.30 and 8.30.</p>	<p>BRICK CHARLES, Lic. 50. 437 8121. Sat 11.00. Sun 2.30 and 8.30. Mon-Fri 8.30 and 10.30. Sat 8.30 and 10.30. Sun 2.30 and 8.30.</p> <p>THEATRE, CC. 427-0572. Mon-Fri 8.30 and 10.30. Sat 8.30 and 10.30. Sun 2.30 and 8.30.</p>

## Elizabeth Hall Nash Ensemble by DAVID MURRAY

The Nash Ensemble's programmes are as sensitively planned as they are played, which is saying a good deal, and Sunday night's concert was a case in point. If the Nash players have a fault, it is that they defer to each other too scrupulously; a little candid self-assertion would brighten their refined ensemble.

In their poised, respectful account of Mozart's great piano and wind Quintet, for example, the wind chording in the Larghetto was marvellously true; but Clifford Benson, one of the best ensemble pianists in the country, shadowed the winds so discreetly that the metal of the piano part was softened and dulled. The Quintet is more fun than that; they played the Rondo in a way that was a comic soft-shoe exit was wanted—like the bewitched Moors in *Zauberflöte*, whose music is pre-echoed here.

The K. 481 Quintet had a proper *primus inter pares* in the clarinetist, Antony Pay, brilliantly scrobatic in the *Allegretto*, serene in the *Andante*, and able to justify taking the Larghetto at a near-Largo by his superb breath-control. But again tougher competition was needed; the string support was tactful to

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# EUROPEAN NEWS

## THE SOVIET BLOC AND EUROCOMMUNISM

### Kadar: the honest broker

BY PAUL LENDVAI IN VIENNA

THE RECENT, apparently successful visits of Sig. Enrico Berlinguer, the Secretary General of the Italian Communist Party (PCI) to Budapest and Belgrade have revived speculation about Hungarian efforts to mediate between Moscow and the major Western Communist parties.

The Yugoslav Press was the first to point out last July that Mr. Janos Kadar, the Hungarian Communist leader, was trying to exert a moderating influence in the quarrel which erupted after Novos Vremya, the Soviet weekly, had publicly attacked Mr. Santiago Carrillo, the Secretary General of the Spanish Communist Party.

It was later claimed by well-informed sources in Belgrade that Mr. Kadar, on a lightning visit to the Crimea in August, had managed to convince Mr. Brezhnev that an all-out attack, such as the virulent article in the Soviet weekly, was tactically wrong and counter-productive.

The fact that on the evening of Mr. Kadar's visit Pravda reprinted lengthy excerpts from an article published earlier in Nepszabadsag, the Hungarian Party daily, was widely regarded as a daily, in the wind. Written by Mr. Janos Berecz, the head of the international department of the Hungarian Central Committee, the article dealt with differences of each party. Mr. Kadar agreed both with President Tito and the Italian party leader about the necessity and significance of a "free and equal" exchange of views between the parties.

All this reflected the spirit and the letter of the document approved at the European Communist parties in East Berlin and the timing was highly significant. Mr. Kadar came out publicly in favour of independence and equality, coupled with free debate, at a time when the Czechoslovak and Bulgarian parties were sharply criticising the Western parties in general and Mr. Carrillo in particular.

Thus his talks with the Italian and Yugoslav leaders and the communiques were regarded as a contribution to diversity and pluralism as well as a deliberate attempt to prevent an open rupture. A leading Hungarian editor, when asked recently about the by now famous Novos Vremya article, replied with a wry smile: "Which Novos Vremya piece do you mean? There have been so far at least three articles on the subject."

The Soviet weekly did in fact retreat from its initial unbending position.

The more moderate Soviet tactics are regarded both in Belgrade and Budapest as partly a response to the biting comments of the Eurocommunists, but also as a result of the arguments put forward by Mr. Kadar, port-

and later also by Mr. Gierak, the Polish leader.

The issue of the relationship between the Soviet bloc and the major West European Communist parties was one of the main subjects of the agenda of the talks Mr. Kadar conducted with Marshal Tito during his three-day "friendship visit" to Yugoslavia at the end of last month. Both the communiques on the visit and the Yugoslav and Hungarian press commentaries stressed "voluntary co-operation" and internationalist solidarity—sovereign and independent decision-making by each Communist party in accord with national conditions and its

Compared with the recurrent tensions in East Germany, the periodic flare-ups in Poland, the sullen mood in Czechoslovakia and even the troubles with human rights activists in Moscow, Hungary appears to be almost a haven of stability.

Clearly no-one is better placed than he to play the role of a mediator in this crucial juncture of the European Communist movement. The question whether Mr. Kadar himself took the initiative, or was acting on behalf of the Kremlin, is less important than the fact that he could be possibly talking to Sig. Berlinguer or President Tito without a green light from Moscow.

A man of proven and unquestioned loyalty to the Soviet Union, the Hungarian leader would never try to get involved in political and ideological disputes against Mr. Brezhnev's wishes. But he has now belonged to the hard-liners.

Co-operation and compromise without in any way endangering the basis of Communist belief have been all along the characteristic features of Kadar's course in domestic politics. However, the intolerance are drawn when Western Communist demands challenge publicly the foundations of the European system. That is the reason why Hungarian commentators implicitly contrasted Mr. Carrillo's "moderate" position to Mr. Carrillo's "extreme" stand.

There are untidy rumours that M. Georges Marchais, the Secretary General of the French Communist Party will visit Budapest in Belgrade shortly and that Mr. Carrillo himself might be over in Budapest on his way to Moscow for the celebrations of the 60th anniversary of the October Revolution. On the day of this important event, Mr. Brezhnev would clearly like to see Mr. Carrillo, and perhaps Mr. Kadar, show of outward unity for international movement.

That would also be useful in the continuing quarrel with China. Thus there is no reason to doubt the word of Hungarian sources that Mr. Kadar is acting as a kind of "honest broker" in doing with the blessing of Mr. Brezhnev. Yet it would be unwise to underestimate the effects of the moderating influence, not only on the Eurocommunists but on the behind-the-scenes demagogues in the Kremlin between the liners and moderates.

**There is no reason to doubt that if Mr. Kadar is acting as a kind of 'honest broker,' he is doing so with the blessing of Mr. Brezhnev.**

### Gibraltar hopeful of end to blockade

By Joseph Garcia

GIBRALTAR, Oct. 17. AS SR. Adolfo Suarez, the Spanish Prime Minister, prepares for his talks in London this week, there is a growing feeling in Gibraltar that the deadlocked dispute over the Rock's future—in virtual deep freeze for a decade—is beginning to see a thaw.

Although Sr. Suarez's visit on Wednesday and Thursday is primarily linked to Spain's EEC application, the Gibraltar issue will inevitably be discussed with the Prime Minister, Mr. Callaghan, and the Foreign Secretary, Dr. David Owen. Informed sources say that no specific proposals are being discussed, although certain ideas have been floating since Dr. Owen's recent meeting in Madrid with the Spanish Foreign Minister, Sr. Marcelino Oreja.

The lifting of the Spanish restrictions on Gibraltar is bound to be a central issue in any discussions about the Rock. Dr. Owen's latest pronouncement on the matter is that the new Spanish Government "is well aware that they will have to lift the restrictions." But for the moment Britain is not linking the Gibraltar question to British support for Spain's EEC application, although it has made it known that such support is not entirely unrelated to what Britain expects of Spain over Gibraltar.

The Owen line is that Spain must be allowed to make its own decision to lift the restrictions "and then let us talk together about the problems of Gibraltar in the full knowledge that in the last instance it will be the Gibraltarians themselves who will decide."

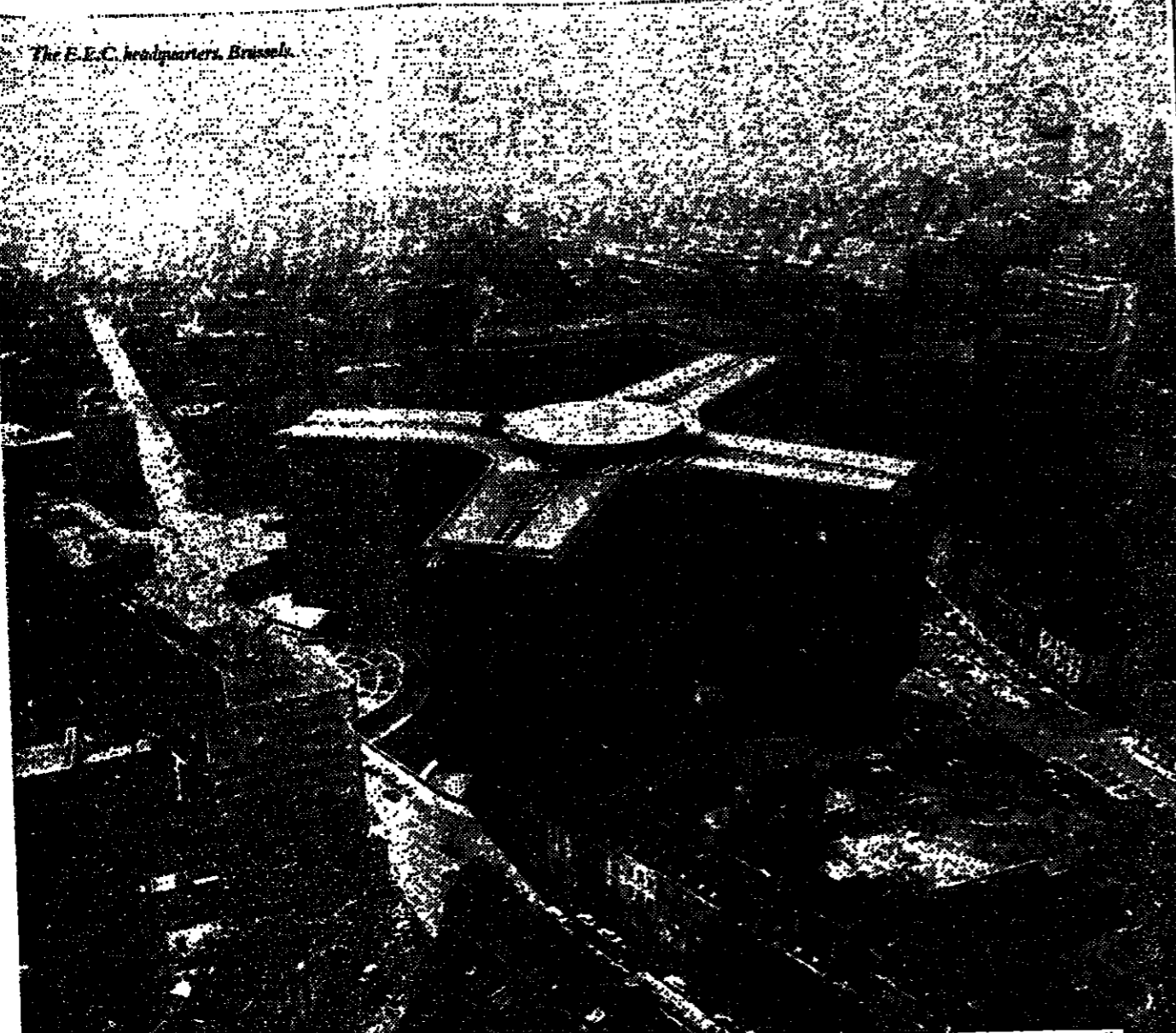
### 'Open up' cries at Spanish demo

ALGECIRAS, Oct. 17.

ABOUT 300 Spaniards shouting "Open up" held the first demonstration last night against Spain's closure of the frontier with Gibraltar in 1969. They gathered outside the closed frontier gate while about 100 Gibraltarians gathered on the other side and joined in.

The Spanish demonstrators carried a placard signed by the "Committee for Reconciliation" formed two weeks ago by local residents.

Committee members said that they supported Spain's claim to sovereignty over Gibraltar, but opposed methods such as the closure of the border.



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excitement the slightly remoter destinations. The Pyramids of Gizeh, the New York World Trade Center, the reclining Buddha of Wat Po in Bangkok, the Sugarloaf in Rio—all have their special charm — to mention but four of eighty-seven idyllic spots that you can reach in short order via the well

known Swiss haulage concern called Swissair. For its guests it keeps seeking out new, interesting specks on the map of this world.

In 1977 alone it turned up three specialities for the exploration-minded: Sofia, Ankara, and Linz on the Danube.

In short, on your next trip to Switzerland it's worth including one of these incidental excursions. Particularly since the 87 are not widely known as Swiss excursions.



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EUROPEAN NEWS

Union warns of Volvo car closure in Netherlands

BY MICHAEL VAN OS

THE BIGGEST Dutch union, the Metal Workers, has claimed that if the Government is not prepared to inject 250m. guilders (€53.1m.) into the Volvo (formerly DAF) car manufacturer, which employs 5,500 people here, the Swedish company will be forced to close down the loss-making Volvo Car BV operation in Holland.

EEC postpones end of U.K. budget row

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

GOVERNMENTS of the EEC agreed today to postpone until the end of next month at the latest the deadline for settling the continuing dispute between Britain and its Common Market partners over the size of the future U.K. contributions to the EEC budget.

AMSTERDAM, Oct. 17.

William Dullforce adds from Stockholm: A Volvo spokesman in Gothenburg said this afternoon that the Swedish company could not comment on the financing of its Dutch plant, Volvo Car BV, while talks were still underway with the Dutch government.

He confirmed that the factory had received 100m. guilders (€23.2m.) in financial support from the Dutch government this year. Through Dutch State Mines, the government has a 25 per cent. holding in Volvo Car BV.

Last month, however, Mr. Pehr Gyllenhammar, the Volvo managing director, told the Financial Times that the group would have to "find a medium-term solution" for the financing of the Dutch plant, on which it was continuing to make a loss.

By the end of June this year, Volvo had spent Kr.425m. (€50m.) on the Dutch operation, including the Kr.300m. original investment. He considered this to be "a reasonably modest investment" for developing a car, the medium-sized Volvo 343, for a segment of the market which was growing faster than the market segment for the Volvo 340 series.

Mr. Gyllenhammar admitted that the 343 had been launched prematurely, but it now had full support from the whole Volvo organisation. The initial production problems had been ironed out and he had every confidence in the sales potential of the 1978 model. (There has been criticism that development of the 343 was left entirely to the Dutch management and technicians, without guidance and backing from Swedish Volvo production managers.)

The 343 was a product which Volvo needed to complete its range, and which would have cost twice as much to develop from scratch. It now had to be "positioned properly" on the market. Mr. Gyllenhammar believed "the strategic decision to build a car in the 343 range" was still valid.

The 1977 production programme for Volvo Car BV is 64,000 vehicles, covering the 343 model and the old 66 model which Volvo took over from DAF. Volvo estimates that the Dutch operation can break even at a production level of 100,000 cars. Present capacity is 120,000 per year but this can be raised to 200,000 with a relatively small further investment.

In August, the Volvo group reported a 41 per cent. fall in first-half tax earnings to Kr.34m. (€4m.) from the 1976 quarter. Profit was higher than that in the first quarter, and the main reason for the profit decline was a production cut designed to enable Volvo to run down stocks of unsold cars.

Refusing to entertain the idea that the group was in financial difficulties, Mr. Olof Sjostrom, the vice-president in charge of finance, pointed out last month that, despite the losses on the Dutch factory, Volvo was still making profits. It had liquid assets totalling Kr.1.5bn.

Volvo had always pursued conservative book-keeping practices in assessing reserves, stocks and currency transactions. It remained a sound, well-consolidated company.

Volvo had always pursued conservative book-keeping practices in assessing reserves, stocks and currency transactions. It remained a sound, well-consolidated company.

Italy's public deficit 'may greatly exceed IMF limit'

BY DOMINICK J. COYLE

ROME, Oct. 17.

ITALY'S public sector deficit which is maintained in office next year could be as much as L.24,000bn. (about \$15.5bn.), or roughly two-thirds higher than the limit imposed by the International Monetary Fund (IMF), L.14,000bn. The upper limit of according to unofficial estimates, L.30,000bn. agreed with the IMF which are supported by some ministers and other senior officials.

This compares with official projections which show the deficit exceeding by at least 30 per cent. the upper ceiling of L.14,400bn. set at the time of Italy's further drawing from the IMF in April.

In addition, Italy's minority Christian Democrat Government, while there has been no official disclosure, the Italian authorities are understood to have negotiated with the IMF in Washington some adjustments to the terms of the letter of intent last April at the time of the additional drawing of \$630m.

However, it is believed that the upper limit of the enlarged State-sector deficit, on the basis of those re-negotiations, was set at some L.19,000bn. It is not known whether any formal concession was made by the Fund on the level of total credit expansion, but some adjustment was agreed on the total of Government spending overall. The Government has already

acknowledged publicly that its spending plans for 1978 need to be trimmed back by at least L.1,000bn. in order to conform with IMF requirements, and Sig. Andreotti, the Prime Minister, had intended to bring about this reduction by setting upper limits to pensions payable to recipients still wholly or partly employed.

In announcing the originally agreed terms with the IMF, the Andreotti Government, dealing specifically with the state-sector deficit, foreshadowed quarterly reviews of progress in the course of next year, together with a review of the entire package with the Fund next April. In fact, there are now unconfirmed reports here that an IMF team may visit Rome before the end of this year, or early in 1978.

Sig. Andreotti has since in- of this year, or early in 1978.

Spanish off-shore oil find by Chevron consortium

BY ROBERT GRAHAM

MADRID, Oct. 17.

AN INTERNATIONAL consortium operated by Chevron has made the first offshore oil find in deep water in the Gulf of Valencia.

The find, made in more than 400 metres of water, was described today by Chevron as "encouraging." It involves a "step out well" some 3km. north-east of a well already tested at a rate of approximately 10,000 barrels per day. Chevron said that crude in the new well has an initial flow rate of 9,500 b/d and is of good quality (32 degrees API).

A Chevron spokesman said that, given the proximity of the other well and the initial flow rate of the new find, this was an encouraging development. However, he cautioned that it was too early to make judgments on exploitation, especially in view of the depth of the water.

The consortium consists of Chevron, Ciespa (a group of private Spanish interests), CNWL, Pacific Petroleum, Dennison and Amoco.

Until recently, total recoverable crude in the Spanish sector of the Mediterranean basin was estimated at 40m. tons. There is only one field in production—the Amposta, operated by Shell with the State-controlled Campa in the Gulf of Valencia—and it is declining.

Much attention is focusing on the search for oil here, since Spain is so "dependent" upon imports of crude. In August, imports of crude accounted for 27 per cent of total imports, equivalent to almost \$400m.

For the first eight months of the year, imports of crude were up by 11.3 per cent in value (although the volume fell back slightly). Officials estimate that the Spanish import bill for crude this year will be in the region of \$5bn.

This crude has come principally from the Middle East. But, in a departure over the weekend, Spain agreed for the first time to turn to Mexico.

Following the nine-day visit of Sr. José López Portillo, the President of Mexico, which ended here on Saturday, Spain has agreed to purchase 450,000 barrels of Mexican crude.

N. Sea pipe break shuts Dutch gas field

By Ray Dafter

A DUTCH off-shore gas field has been shut down following a pipeline fracture. It is the third major incident affecting North Sea oil and gas production this month.

The joint Shell/Exxon subsidiary, Nederlandse Aardolie (NAM) has also evacuated the crew of a production platform in block K-14, some 200 metres from the site of the pipe fracture, because of the danger of an explosion. The fracture has hit production from Pennzoil Nederland's K-13 field, the group's only producing discovery in the Dutch sector.

Deliveries were running at 2.3m. cubic metres a day before the pipeline break. Pennzoil said it hoped to pump out the gas remaining in the pipeline within the next two days although it is not known how long the repairs will take.

Pennzoil is the operator for the Noordwinning Group of companies. On Friday, two men were injured when an uncontrolled well blow-out hit a Danish consortium's exploration rig, Maersk Explorer.

Trade surplus brightens French economic outlook

BY DAVID CURRY

PARIS, Oct. 17.

THE ACHIEVEMENT of a trade surplus and 18.7 per cent. above that of September, 1976. Imports were years of monthly deficits, and 3.4 per cent. below the August following, based on the basis of level, and only 2.6 per cent. the announcement of a slight higher than those of September, drop in unemployment in the 1976, at Fr.27,845bn.

same month has given the French government hope that the economic recovery, fre-is about Fr.10.5bn., although quarterly promised for the imperis have been stabilised Autumn, may be about to begin, since the beginning of the year.

Any sign of sustained improvement will have great political significance. Furthermore, the improve- because, after the windfall for ment is fragile because any the conservative government of recovery in industrial invest- ment the break-up of the left-wing ment — itself essential to Socialist Communist alliance, generalised — recovery — would the government may now be able attract imports and damage the to at least some concrete achieve trade position.

Following the unemployment Barre, personally, and his figures—which showed last week Government collectively, to that the number of jobs had emerge from a role as a declined slightly in September, economic force and to elaborate on a seasonally adjusted basis—a more complete political pro- the trade figures for the same gramme. M. Barre has started month show the first corrected to speak in these broader terms, surplus since September, 1975, and a full statement of policy. The corrected surplus was which will represent a re-launch Frs.421m. (€49.2m.). Exports of the Giscardian advanced were Frs.28,266bn. (€3.13bn.) 4.7 liberal society, is promised for per cent. above that of August, the New Year.

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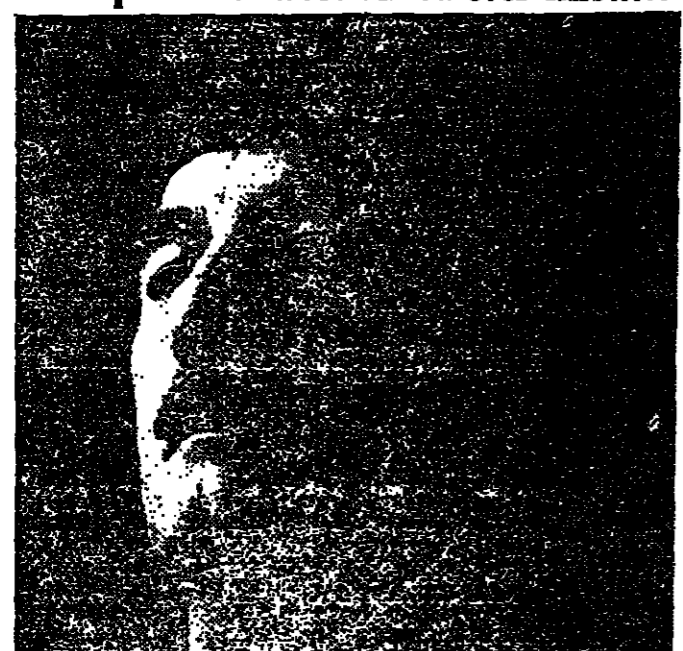
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Perhaps the bravest man I ever knew...



and now, he cannot bear to turn a corner

SIX-FOOT-FOUR SERGEANT "Tiny" Gifford, DCM., was perhaps the bravest man his Colonel ever knew. But now, after seeing service in Aden, after being booby-trapped and ambushed again more recently, Sergeant "Tiny" cannot bear to turn a corner. For fear of what is on the other side.

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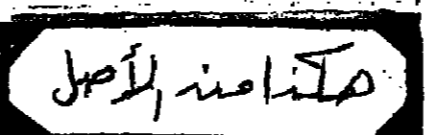
These men and women have given their minds to their Country. If we are to help them, we must have funds. Do please help us with a donation, and with a legacy too, perhaps. The debt is owed by all of us.

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AMERICAN NEWS

Financing of non-nuclear energy studied

By David Fishlock, Science Editor

U.S. OPPONENTS of nuclear energy, worried at the possibility of a backlash of public opinion...

According to the Washington newsletter Nucleonics Week, the nuclear opponents are worried...

The same public image has been very evident at the Windscale Inquiry into the plans of British Nuclear Fuels for a new reprocessing plant...

Nucleonics Week reports that the Natural Resources Defence Council, one of the leading U.S. anti-nuclear organisations...

The NRDC's aim is to prove to the public that non-nuclear alternatives represent jobs and energy as the nuclear industry has always claimed for nuclear...

NRDC plans to draft legislation making capital equity as readily available to non-nuclear as to nuclear energy.

U.S. seeks comment on enforcement of anti-boycott law

By DAVID BELL WASHINGTON, Oct. 17.

THE U.S. Commerce Department has begun receiving detailed comments on the proposed set of regulations enforcing American legislation about the Arab boycott...

A voluminous set of rules has been issued which attempt to deal with some of the difficult issues raised in the boycott legislation. Companies, foreign governments and other interested parties have until November 21 to file their comments...

The anti-boycott law itself is imprecise and the oil industry has been only one of several to be puzzled by its wording and concerned about the eventual form of the rules which will enforce it.

Bethlehem Steel layoffs

By STEWART FLEMING NEW YORK, Oct. 17.

BETHLEHEM STEEL, the nation's second largest steel producer, has announced that it has laid off a further 1,800 employees because of sagging steel demand.

Bethlehem has probably been the worst hit of the major steelmakers because of its dependence on heavy steel products, such as structural steel. It has previously laid off about one tenth of its 90,000 work force...

Carter puts case for Panama Canal pact

By Our Own Correspondent WASHINGTON, Oct. 17.

PRESIDENT Carter breakfasted today with a group of supporters of the Panama Canal treaty as part of the administration's continuing effort to garner support for the document.

Mr. Cyrus Vance, the U.S. Secretary of State, said on television yesterday that the Panama Canal issue was "of great importance" and decided that the administration is trying to "push it through" Congress.

The president, who will be in the Mid-west and in California later this week, is expected to raise the Canal issue in his speeches, and is to "drop in" on a briefing on the issue to be held in Denver.

But it is unlikely that any of this will be enough to satisfy opponents of the treaty, most of whom were unimpressed by the "clarification" agreed by the president and Brig. Omar Torrijos, the Panamanian leader...

MEXICAN POLITICS

Shaking off the shadow of the past

By ALAN RIDING IN MEXICO CITY

BY GAOLING Sr. Felix Barra there are no more plots left to hand out.

To be fair, President Lopez Portillo appears to have done his utmost to avoid an open conflict with his predecessor on the grounds that ultra-conservatives would be the main beneficiaries.

The Government has insisted that the arrest of Sr. Barra, a close associate of the former President, is a straightforward criminal matter...

But, as for more than 110 years, no Mexican Minister has been tried for enriching himself in office...

Sr. Barra was not only close to President Echeverria, but was also the principal executor of his controversial agrarian policies...

This arrest was therefore both a personal affront to Sr. Echeverria, now in diplomatic "exile" as Mexico's ambassador to UNESCO...

warning landless peasants that Echeverria group into life and perhaps also to frighten civil servants and senior officials away from corrupt practices.

But the long-term impact of the system may be more fundamental. One of the principal rules of the long-established one-party base of his own—was Sr. Barra's system has been the ability of

to bring the growing self-confidence, several demonstrations of the Left have been permitted in the centre of Mexico City, and have taken place without the violence and tension that has accompanied such demonstrations in the past.

By paying due homage to the traditional labour boss, notably Fidel Velazquez, the Government has also succeeded in controlling the trade union movement...

As for more than 110 years, no Mexican minister has been tried for enriching himself in office, the arrest of the former Agrarian Reform Minister is being seen in a highly political light.

Echeverria's Finance Minister, politicians to enrich themselves in office, providing an economic cushion for those ejected from power and influence.

The two politicians most closely linked to Sr. Echeverria's agrarian reform programme were the Prime Minister, Sr. Augusto Gomez Villameva...

The short-term effect of the reflecting the Government's

Jamaica may mediate between Cuba and U.S.

By CANUTE JAMES KINGSTON, Oct. 17.

CUBAN President Fidel Castro separated by less than 100 miles has arrived here on a six-day state visit, his first ever to enter into wide-ranging political and economic agreements.

The Cuban leader's visit returns a six-day visit to Cuba by Jamaica's Prime Minister, Michael Manley in July 1975.

The possibility of the Government playing the role of a mediator has been enhanced by the fact that it now has warm relations with both the U.S. and the Cuban Government.

When the President arrived in Kingston by boat from Cuba, the representatives of the opposition Jamaica Labour Party (JLP) were absent from the official welcoming party.

In a statement last night, the JLP, which has traditionally been opposed to Cuba, and the Government's relations with that country, said that it was informed of the visit one hour after it was confirmed.

Mr. Edward Seaga, was in Britain and unable to attend the functions. The party terms the visit of the "Communist leader" as being "ill-timed" and "ill-conceived."

Another general fired in Brazil

RIO DE JANEIRO, Oct. 17.

BRAZILIAN President Ernesto Geisel has dismissed another general, the head of the Army Information Centre, Gen. Antonio da Silva Campos.

Although no reason was given for the dismissal, it is thought to be related to the sacking last week of the Army Minister, Gen. Sylvio Frota, who was favoured by right-wing forces to succeed President Geisel when his term expires in 1979.

Repercussions are being felt in congress as well. The leader of the Government ARENA party in the lower House, Sr. Marcelo Linhares, who has openly backed Gen. Frota for the presidency, has resigned.

Banking in the Gulf

By DOINA THOMAS BAHRAIN, Oct. 17.

A VARIETY of provocative views were aired during the second day of the conference on Gulf Finance, which has been sponsored at the Hilton Hotel here by the Financial Times, the Banker, Investors Chronicle and Gulf Air, the regional airline.

To-day's session began with an outline of the Arab Fund for Economic and Social Development, history and priorities given by its investment manager, Dr. Osama El Ansari who described the fund's relationship with similar lending institutions and its involvement in Sudan.

Mr. Alan Moore, director general of the Bahrain Monetary Agency which assisted the Financial Times in the preparation of the conference then spoke about the development of Bahrain's two-year-old offshore banking scheme.

He explained that total assets of the offshore banks came to \$3.5bn. in June, 1976, but were up to \$12.2bn. at the end of last August.

The offshore unit had provided a new service to companies active in the Gulf by creating a forward market in Gulf currencies, particularly the Saudi Riyal and the Kuwaiti Dinar, as well as providing a long needed opportunity for Gulf-based banks to place liquidity in their own currencies.

Mr. Moore also discussed the development of a local capital market and the "experimental" Bahraini dinar unit of account and the possibility of a broader spread of inter-Arab lending in the future.

The next two speakers took the conference into a new world—the developing countries of Asia, particularly Malaysia. Raja Tan Sri Mohar opened by discussing the renaissance in Arab-Malaysian relations, from his special point of view as economic adviser to the Prime Minister of Malaysia and chairman of Malaysia's foreign investment committee.

This was followed by an impassioned and positive plea from Mr. Hussain Najadi, managing director and chief executive of the Arab Malaysian Development Bank for greater Arab interest and equity participation in the developing States of Asia.

Mr. Halabi commented that the recent appearance of the Gulf and the decision of contending banks to display "Gulf currency rates, had given a tremendous boost to Gulf currency dealing. He was doubtful of practical prospects for the economies and aspirations of Gulf states, but he foresaw increased business in currencies generally.

pointed out, have contributed the wider attack made by their Arab shareholders in the international financial market in the developing world. "This is in keeping with the well-established tradition of Islam that we should not let money and collect interest but have tended to avoid involvement in the broad spectrum of Eurocurrency lending by the U.S. and the Cuban Government.

He put forward two reasons: firstly, the growing Arab consciousness which has led to a reluctance of Arab lenders to get involved with Asia. Mr. Najadi suggested the creation of an Arab International Investment guarantee corporation which would ensure and accept the investment risk of Arab investors in Asia.

Mr. Najadi conceded that such a scheme would require endorsement by Western institutions "because we do not trust our own judgements." He emphasised the urgency of meeting the needs and aspirations of developing nations without being exposed to financial market disorders.

The afternoon session dealt with the specialised topics of foreign exchange, project financing and the prospects for merchant banking in the Gulf.

Mr. Ramzi Halabi, chairman of the only Arab moneybroker to speak about the foreign exchange market in the Gulf currencies, a fairly recent phenomenon. "We are talking of a market with a present yearly turnover of almost \$85bn. which I believe can only increase."

The effect of increased interest in Gulf currencies, helped in the establishment of the Bahrain offshore market with the operational moneybrokers including Sarabex. Mr. Halabi's company had been to create a more competitive rate structure for the market at interbank level. A Saudi riyal one-year deposit price given one year ago for instance would have been quoted with a 1 per cent spread, but now 1 per cent, the normal working rate.

Mr. Halabi commented that the recent appearance of the Gulf and the decision of contending banks to display "Gulf currency rates, had given a tremendous boost to Gulf currency dealing. He was doubtful of practical prospects for the economies and aspirations of Gulf states, but he foresaw increased business in currencies generally.

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The short-term effect of the reflecting the Government's

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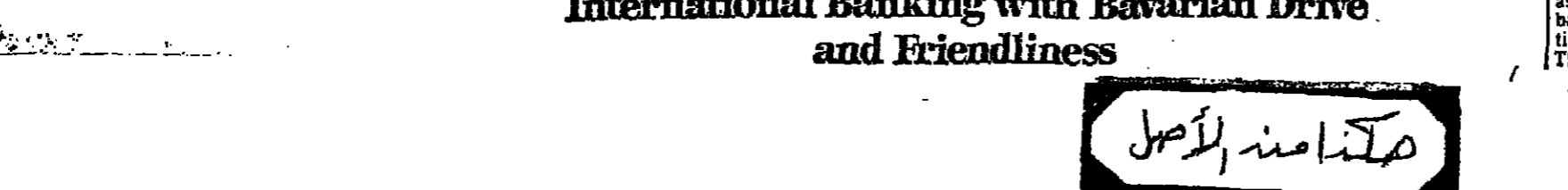
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# Key talks on Namibia held in New York and Pretoria

By BRIDGET BLOOM, AFRICA CORRESPONDENT

NEGOTIATIONS TO prevent an open clash between Western and African states over the future of Namibia were taking place simultaneously last night in New York and Pretoria.

The negotiations are between the five Western members of the Security Council, Swapo, the African nationalist movement, and the South African Government.

Also involved in the talks is the Secretary-General of the United Nations.

At stake is the future of the territory of the five Western powers to achieve a negotiated settlement on Namibia.

The crucial issue at stake is to end of the negotiable action from the UN members of the UN in the general Assembly debate on Namibia due to begin today.

However, the tripartite negotiations conducted by the five Western powers have reached a critical stage.

Five can persuade Swapo and the original South African position, including the abandonment of the Western initiative, on last April, could fundamentally based on tribal rivalries of the five Powers UN civilian presence and the e discussing with Mr. Sam-

Nujoma, Swapo president, the concessions won from South Africa in detailed negotiations late last month. Simultaneously, the ambassador of the five States were talking to the South African Government in Pretoria.

Mr. Nujoma was due to meet Dr. Waldheim late last night to discuss the general situation in advance of the General Assembly in Namibia. The debate was originally scheduled to take place yesterday but was postponed until today to await the outcome of the deliberations of the five Powers.

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# Abu Dhabi warning on oil licences

By Roy Dafter, Energy Correspondent

OIL COMPANIES in Abu Dhabi have been warned that unless they step up their exploration and production their licences may be switched to other groups.

The United Arab Emirates government has asked the Abu Dhabi Petroleum Company and its members to draw up a new programme of oil activity. In particular, Dr. Mana al-Otaiba, the UAE Oil Minister, has told the companies—which include British Petroleum and Shell—that they must exploit known reserves to the full.

For their part, the ADPC members have denied that they are not fulfilling the Government's wishes. It is understood that the company is planning to bring on stream its southern Shah Field in 1979.

This discovery, which will yield 50,000 barrels a day of fairly heavy crude, should help ADPC to raise its production capacity from 1.5m. barrels a day at present to a target of around 1.39 b/d within the next two years.

Apart from the State-controlled Abu Dhabi National Oil Company, ADPC includes BP, Royal Dutch/Shell, Exxon, Mobil, Compagnie Francaise des Petroles and Parlex.

# FOREIGN INVESTMENT IN SOUTH AFRICA Nervously looking for local partners

By BERNARD SIMON IN JOHANNESBURG

DESPITE POLITICAL uncertainties in southern Africa and prospects of a low economic growth rate in the region for several years to come, there is little indication that the 1,000 or so multinational corporations operating south of the Limpopo River intend taking their money and running.

That does not however, mean that many of them are not nervous about their investments in South Africa, which totalled over R6.3bn. (about £4bn.) at the end of 1975. Experience in Vietnam and Angola has made U.S.-based companies in particular—which account for almost one-fifth of total foreign investment—wary of over-committing themselves to South Africa. "One should not see this as a political move, but as a rational business decision based on increasing risks" is how one consultant to various American firms described the situation.

Moreover, it is clear that many multinationals, faced with the possibility of having to choose between Black Africa and the southern tip of the continent, consider that the former has greater potential for expansion and their business activities in a relatively stable climate free of external pressures.

Evidence suggests that many foreign-based companies are looking for local partners for their South African operations.

as a compromise between a total pull-out and greater commitment. The chairman of one conglomerate which has bought stakes in three U.S.-owned companies in recent years asserts that "there is the feeling that some multinationals are a little jittery about their shareholdings here, and that they are amenable to approaches from local companies." The managing director of Standard Merchant Bank, Mr. E. Theron notes that "during the past six to nine months we have seen far more inquiries from multinationals wanting to find local partners."

The trend is not limited to only one or two sectors. For instance, the U.S. mining giant, Phelps Dodge and Newmont Mining, have been joined in their North West Cape ventures by Goldfields of SA and Anglo American respectively. Allied Technologies has taken over local operations of STC. Price Forbes has sold a third of its South African insurance brokerage business to a subsidiary of Federale Volksbelegings. The insurance giant, Old Mutual, has bought about one fifth of Turner and Newall SA, a subsidiary of the British asbestos company, while two other British companies in the heavy industrial field are known to be on the look-out for local partners.

In fairness it must be men-

tioned that not all these companies are selling off a portion of their South African interests merely because of political fears. As a result of a relatively nationalist business climate, several overseas companies are keen to take on a more South African image. "Our parent company felt the South African company to be more part of the local scene," according to the chief executive of a British company which recently took in a local partner. "We think we have got a better chance of expanding operations here if we have local participation," he adds. Likewise, market talk is that Price Forbes' link-up with FVB was largely prompted by the lure of valuable Afrikaans business.

Another important reason for multinationals increasing their local shareholding is that foreign-based companies' domestic borrowing is restricted to 25 per cent of their capital. This portion is increased, however, when there is local participation. The need to expand local borrowing has increased with the drying up of long-term foreign loans. Moreover, multinationals wishing to sell fixed assets and replace them by leasebacks are hampered by the regulation which includes such leasebacks in local borrowing.

There are some companies which have no intention of diluting foreign control or reducing exposure in South Africa. Mr. Jim Gilbertson, chairman of Metal Box Overseas, stressed recently: "The political position in South Africa and the possibility of devaluation later this year have done nothing to make us revise our investment policy." A spokesman for IBM asserts: "We do not take in local partners anywhere."

**Incentives**

The incentives for companies already operating in South Africa not to pull out are strong. Disinvestment can be expensive, since capital can only be transferred abroad legally at a discount through the securities Rand market (to turn on capital is still generally attractive. According to Professor Arnt Spangrud of the Witwatersrand University, the ratio of dividends and retained profits to foreign investment in South Africa exceeded 13 per cent from 1970 to 1974. In 1975, when the economy was slipping into recession, the figure fell back to 8.5 per cent.

Many companies take the view that a local partner can provide the expertise and finance to take advantage of any improvement in the economic and political climate. If the situation really deteriorates, however, one businessman points out that it is easier "for a multinational to get its partner to take over than to start shopping around for a complete outsider."

# India aims to normalise relations with China

Y K. K. SHARMA

NEW DELHI, Oct. 17.

ATAL Behari Vajpayee, External Affairs Minister, is planning for direct talks with Peking by raising the contentious issue to "normalise" Sino-Indian relations and is making a concession by not first settling a settlement of the border dispute between the two northern Kashmir, and in north-east India, which have never been held and the Press has Sino-Indian relations has lasted over 15 years because neither was willing to bend on this issue. However, India recently took the initiative in starting trade with China and the first barter deals were made when an Indian delegation attended the Canton trade fair in China. He pointed out that China and India now exchanged ambassadors and towards self-sufficiency in crude was no need to go through oil parties and hence normal channels should be field on the western continental shelf. Production tests made by the oil and natural gas commission is normalised "notwithstanding the first well drilled along the border question" is about 40 miles southwest of Bombay, have shown a "potential" does not want to of 1,475 barrels a day.

# Thailand-Cambodia talks likely in Peking

RICHARD NATIONS

HONG KONG, Oct. 17.

THAILAND is currently playing a prominent role in the two of South East Asia's may well be viewed by the Vietnamese as directed against them. It was, after all, the Chinese who helped smooth the way for diplomatic relations between the Cambodians and Thais to do anything by in November 1975. Any delay in the current visits have observers then read into this intense speculation here diplomacy a Chinese effort to balance Moscow's influence in the Hanoi and Vientiane. The same sort of Peking-Phnom Penh Bangkok thread may be foreseen in Mr. Kukrit's current visit to Peking.

Perhaps as a response to his visit to Peking—and to show that they, too, still have formidable pieces on the board—the Vietnamese announced last week the recent arrival of a Soviet jet fighters to Vientiane in the military detour to Hanoi, the sort of visit that is usually left unpublished. Bangkok-sourced reports also claim that the Soviet Union has delivered 10 Mig-21 jet fighters to Vientiane in the past few weeks. Finally, the Vietnamese are reportedly more responsive to Thai diplomatic initiatives in the UN at the moment.

Mr. Kukrit Pramoj was Prime Minister when Thailand established diplomatic relations with China in June 1975, and with Phnom Penh five months later. So he is just the man to play a diplomatic role for the Thais in Peking. The fact that Kukrit was received by chairman Hua Kuo-feng last week almost certainly rules out the possibility that his mission is a purely "personal" one, as published.

But while observers speculate that his mission has hacking from Bangkok, it is more likely to issue from the recently appointed Supreme Commander, Gen. Kriangsak Chammanand, than the strongly anti-communist Prime Minister, Tanin Kraivixien himself.

The Chinese are known to have welcomed Gen. Kriangsak's appointment in early October. He has had long-standing relations with the Americans, and is thought in diplomatic circles generally to favour a more flexible attitude towards Thailand's communist neighbours. His appointment has been as a sign that Thailand's foreign policy may well move in the direction of the detente policies that were initiated while Mr. Kukrit himself was Prime Minister.

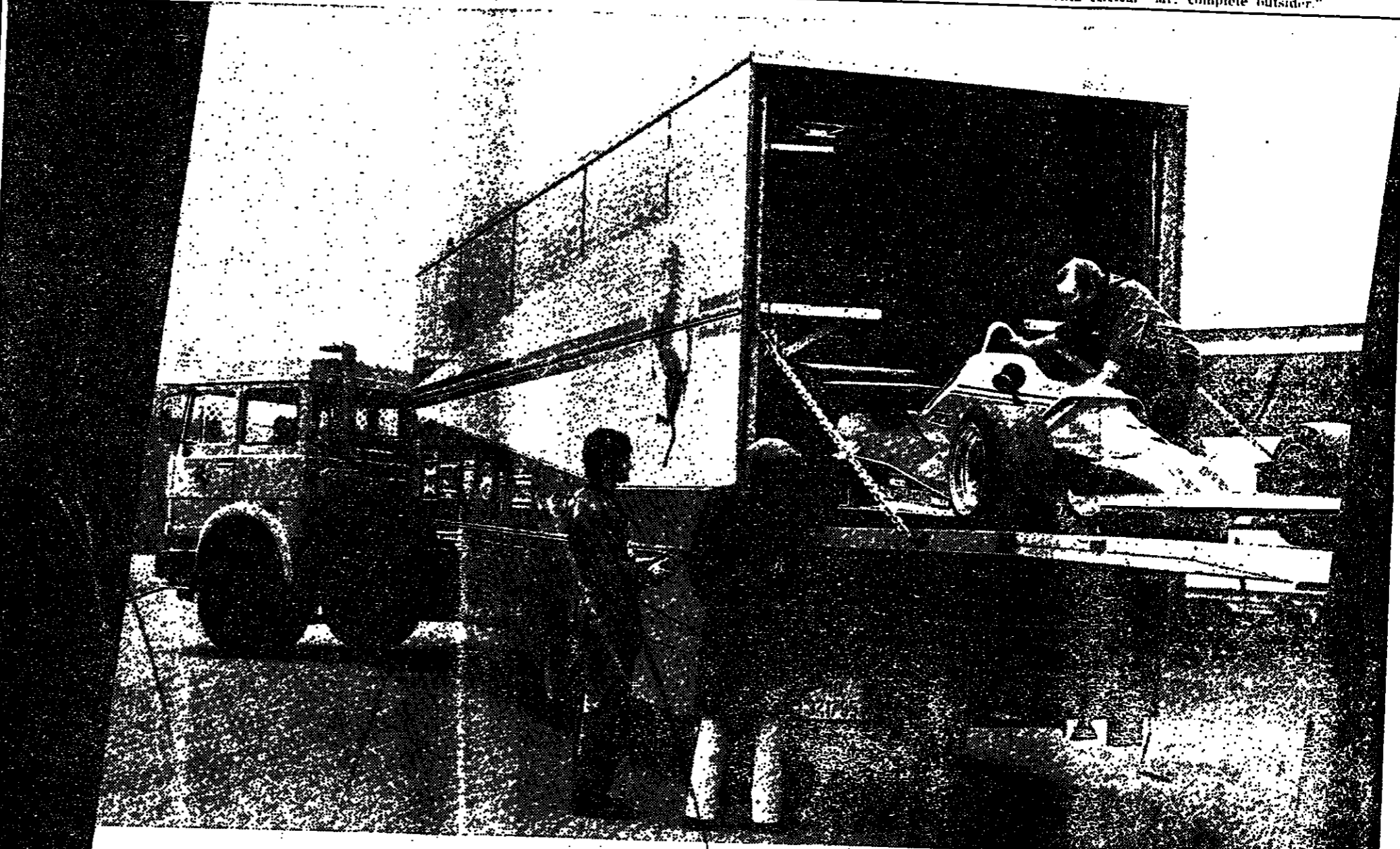
ON OTHER PAGES

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## HOW DOES A FERRARI GET ROUND THE WORLD WITHOUT TOUCHING THE GROUND?

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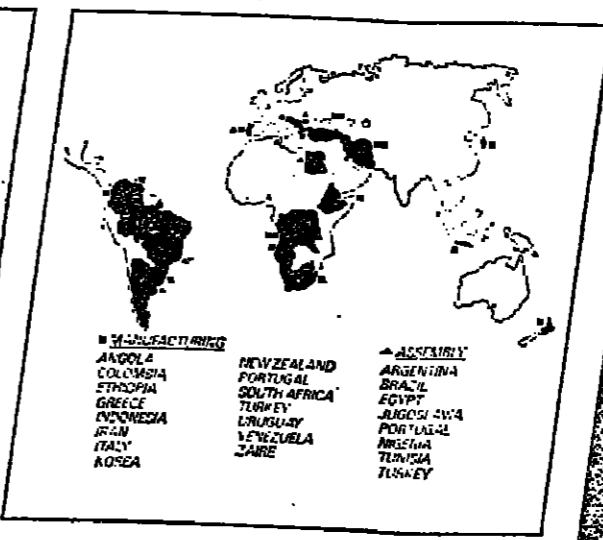
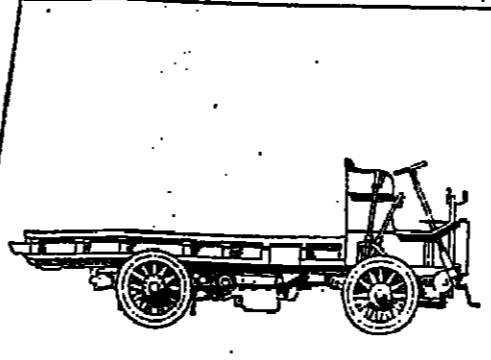
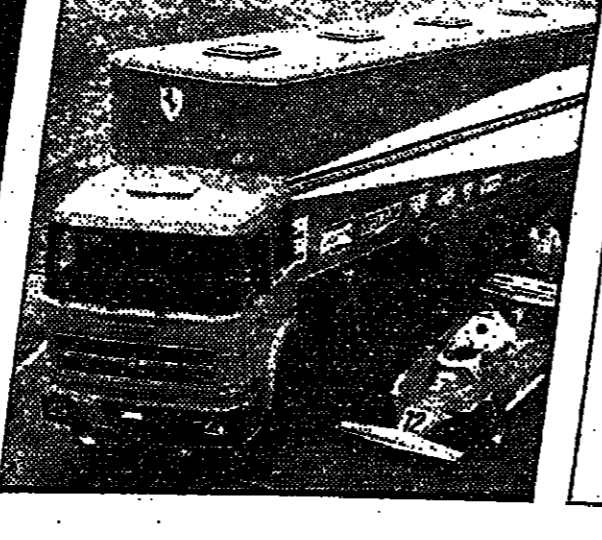
From Brands Hatch in Britain it's taken to Jarama in Spain, Monaco, Belgium, Austria and then on round the world, fast and safe in the Fiat custom built transporter—totally equipped with tens of thousands of pounds worth of equipment—to every starting grid on the Formula One circuit.

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**WORLD TRADE NEWS**

**U.S. threatens new policy on imports**

BY DAVID BELL IN WASHINGTON

PRESIDENT Carter's promise that the Administration will move "aggressively" to enforce U.S. anti-dumping laws represents a major threat to European steel companies and it could yet do more damage to the fragile world trade system than the President expects.

There is no doubt that the Administration is fully aware of the dangers of protectionism and is doing its best to contain the formidable political pressure in Congress and elsewhere which believes that quotas or orderly marketing agreements are essential to defend U.S. industry against foreign attack.

But to blunt the protectionist pressure the President has opted to enforce the dumping laws and these contain provisions that are openly frowned on by GATT, opposed by the European Community and viewed with great concern in Japan.

Dumping, in essence, is the selling of goods in the U.S. at a lower price than it costs to make them at home. In a world of floating exchange rates and seething commodity prices, this is exceedingly difficult—and takes a long time to prove.

But American law provides a way to short circuit the process. It says that if the Treasury establishes that dumping may have occurred an importer must post a bond which will cover the full liability in the event that the Treasury concludes that dumping has occurred and that a countervailing duty should be levied.

Earlier this month, when the Treasury found a case to answer

over \$175m. worth of Japanese carbon steel imports, it said the extra duty could be as high as 32 per cent. This bond is costly to finance and most importers are obliged to move their prices upwards while the inquiry is going on in case that dumping allegation is proved. Thus the mere finding that dumping may be occurring can be enough to push up the price of imports and that in turn provides a good measure of relief for domestic industry.

It was this which prompted Mr. Edgar Speer, the chairman of U.S. Steel, to say recently that if the dumping rules are indeed "aggressively" enforced 1978 "will be an entirely different year for the American steel industry."

U.S. Steel has yet to file a formal complaint against European producers but the Treasury is now hurriedly progressing one involving \$22m. worth of Japanese steel imports. If a prima facie dumping case is made out this could push these prices up and take some of the pressure off the domestic industry.

The dumping process takes a long time because countervailing duties do not go into effect until the International Trade Commission has taken the Treasury finding and established that dumping has "damaged" U.S. industry. This again takes time to prove and, in the past, the steel industry has hesitated to bring dumping suits because it

and agreed—to raise their prices and all imported car prices are still closely monitored by the Treasury.

But this was a complaint brought against the wishes of most of the large U.S. car makers and the terms of trade shifted substantially as the investigation proceeded.

When that investigation was dropped in May 1976 the Treasury said that 16 out of 24 car importers had indeed been dumping but that while the inquiry was going on prices had altered to such a degree that they were no longer doing so. It is possible that in the steel inquiry the Treasury may adopt the same tactic and negotiate a rise in prices rather than slap on formal countervailing duties.

Thus it is now quite possible that dumping inquiries will take on a life of their own. In the past the Treasury has been able to take a long time over them—as with cars—in the hope that they would become less urgent and could be quietly disposed of with the minimum disturbance to world trade.

That would seem no longer to be possible. Instead importers could find themselves having to pay substantial extra countervailing duties—or provide for them—even before a case has been made. And that could seriously affect exports from Europe and Japan to the U.S.—and invite just the kind of retaliatory action that the administration has been working so assiduously to avoid.

**India plans \$600m. shipyard**

By K. K. Sharma

THE INDIAN Government is planning to buy a complete shipyard from abroad to reduce the time it would take to build one, according to Mr. Chand Ram, Minister of Shipping and Transport.

The Minister did not indicate where the shipyard is to be imported from but official sources say this will be decided when the report from a British company on the location of the shipyard is available. The company has been asked to submit the report within six months instead of the one year originally given to it.

The shipyard will cost at least 1bn. rupees (about \$600m.) but the Government hopes it will be able to find funds to establish two simultaneously.

The locations being mentioned are Hajira in Gujarat state and Paradip in Orissa state and plans are that they should be able to manufacture ships of between 35,000 dwt and 60,000 dwt. The aim in establishing the shipyards is to save foreign exchange in the long term by building ships in the country rather than place orders with other countries.

**Strong yen blamed by Japan for trade surplus of \$1.7bn.**

BY DOUGLAS RAMSEY

TOKYO, Oct. 17

JAPAN recorded a massive trade surplus in September as exports rose 12 per cent, and imports only 3 per cent, on the year-to-date level, the Finance Ministry said today. The trade surplus is put at \$1.7bn. for the month, strongly up from the August figure of \$1.4bn.

Moreover, Japan's performance in the first nine months of 1977 has led to a \$11.5bn. surplus, easily lending credence to private projections of a \$15bn. surplus on trade for the calendar year.

The September figures were released after the Tokyo foreign exchange market closed this afternoon, but the surplus had largely been discounted on the basis of customs figures announced last Friday which indicated that Japan would again post a healthy trade and payments position.

The balance on current account showed a surplus of about \$1.4bn. nearly double the August figure of \$670m. The invisibles deficit underwent a modest rise to \$560m. from the previous month's \$472m.

\$1.7bn. in September is largely attributable to the depreciation of the dollar in yen terms. In September, 1976, the median rate for the U.S. currency on the Tokyo foreign exchange market was ¥288, compared with the average rate last month of ¥265.

UNDER pressure from its major trading partners to cut its huge trade surplus, Japan has announced plans for emergency imports to help reduce the surplus. Reuter reports from Tokyo.

The Trade and Industry Minister, Mr. Tatsuji Tanaka, said emergency imports would include oil worth \$310m., metal worth \$100m. and uranium worth \$130m. Plans to import agricultural goods worth more than \$100m. were also announced.

Y265 to the dollar. But private analysts note that the volume rise in exports in September was larger than has been the case in several months. Exports, measured returned to a very low level of increase—3 per cent to \$50n.—after having undergone an 11 per cent rise in August (both figures reckoned on year-earlier levels).

The September trade figures do not yet reflect any side-effects of the recent upsurge in the value of the Japanese yen on exchange markets. The dollar fell below ¥265 in the first week of October, and by last Friday hit its lowest ever in Tokyo at the close of trading at ¥255.

As a result, Finance Ministry officials are expected to stop quoting the monthly trade and payments figures in dollars from next month due (the October results) in order to avoid "misunderstanding," according to an official, about the "real" level of Japan's exports this month.

China is selling aggressively and successfully to industrial countries to obtain the hard currency with which to pay for increased technology imports. AP-DJ reports from Hong Kong that the past year's political turmoil, which disrupted production, sales to five key trading targets—Japan, Hong Kong, West Germany, the U.S. and Britain rose 11 per cent in the first half of 1977 from the year-before level to the equivalent of \$1.70bn. Exports to the U.S. alone increased 13 per cent to \$182n. Some estimates put China's overall trade surplus for the year at a record \$22n., double that of 1976.

**Chemicals-makers look to the EEC**

BY KEVIN DONE, CHEMICALS CORRESPONDENT

VIENNA, Oct. 17.

THE VULNERABILITY of the West European chemicals industry to the growing trade challenge from Eastern bloc countries is forcing manufacturers to look to the European Commission for aid in safeguarding their markets.

This fundamental reappraisal of the industry's attitudes to EEC involvement in its affairs has been highlighted by a conference here of the Society of the Chemical Industry, a gathering of industry leaders from most of the major chemical producing countries of Western Europe and North America.

In the keynote address, Mr. Robert Malpas, a main board director of Imperial Chemical Industries, told the conference today that Western Europe stood out among the major world blocs of chemicals producing countries "as the least cohesive in its aims and behaviour, and the least protected. Unlike the others, it had little experience of thinking of itself and behaving, as a bloc."

With the apparent agreement of most delegates, he said that the industry had to respond to the Eastern bloc challenge through the framework of the EEC if it was to preserve its health and not sicken.

Ninety per cent of the world's chemical production is in the four major geographic groupings of North America, Western Europe, Eastern Europe and Japan and in 10 years' time, despite rapid growth in other parts of the world, the four will still account for more than 85 per cent of world chemicals production.

By 1985, Eastern Europe's capacity should have surpassed that of North America and will have equalled that of Western

Europe, Mr. Malpas said. Given this eventual balance of production capability in the three areas, there would also be an "inevitable" trend towards the equalisation of exports in relation to production. At the moment, Western Europe exports significantly more chemicals than any other bloc at \$15n. nearly twice as much as North America, while Eastern Europe currently exports (\$3.5bn.) more than its exports (\$1.5bn.).

But Mr. Malpas said everything pointed to trade between Eastern Europe and Western Europe continuing to increase—"the inevitable" consequence of two very large production capacities geographically close to each other, and the fact that Eastern Europe's chemical industry and consumer demand are entering a more sophisticated stage.

Of the major blocs, the EEC was "the least cohesive, the least protected and the most heterogeneous market, the largest importer and exporter, in short, the most vulnerable," he added.

Mr. Malpas attacked the way EEC chemical companies a "home country Government were too constrained by national boundaries in their attitude towards cross-border investment. If Europe was to compete with the U.S., with its large homogeneous markets, cross-border investment has to be encouraged and not discouraged as was the case. Such investment on both increase trade from home country and sustains employment.

He called for more collaboration in joint ventures between companies to gain the economies of scale in large plants and criticised EEC legislation and Commission attitude for being too constraining.

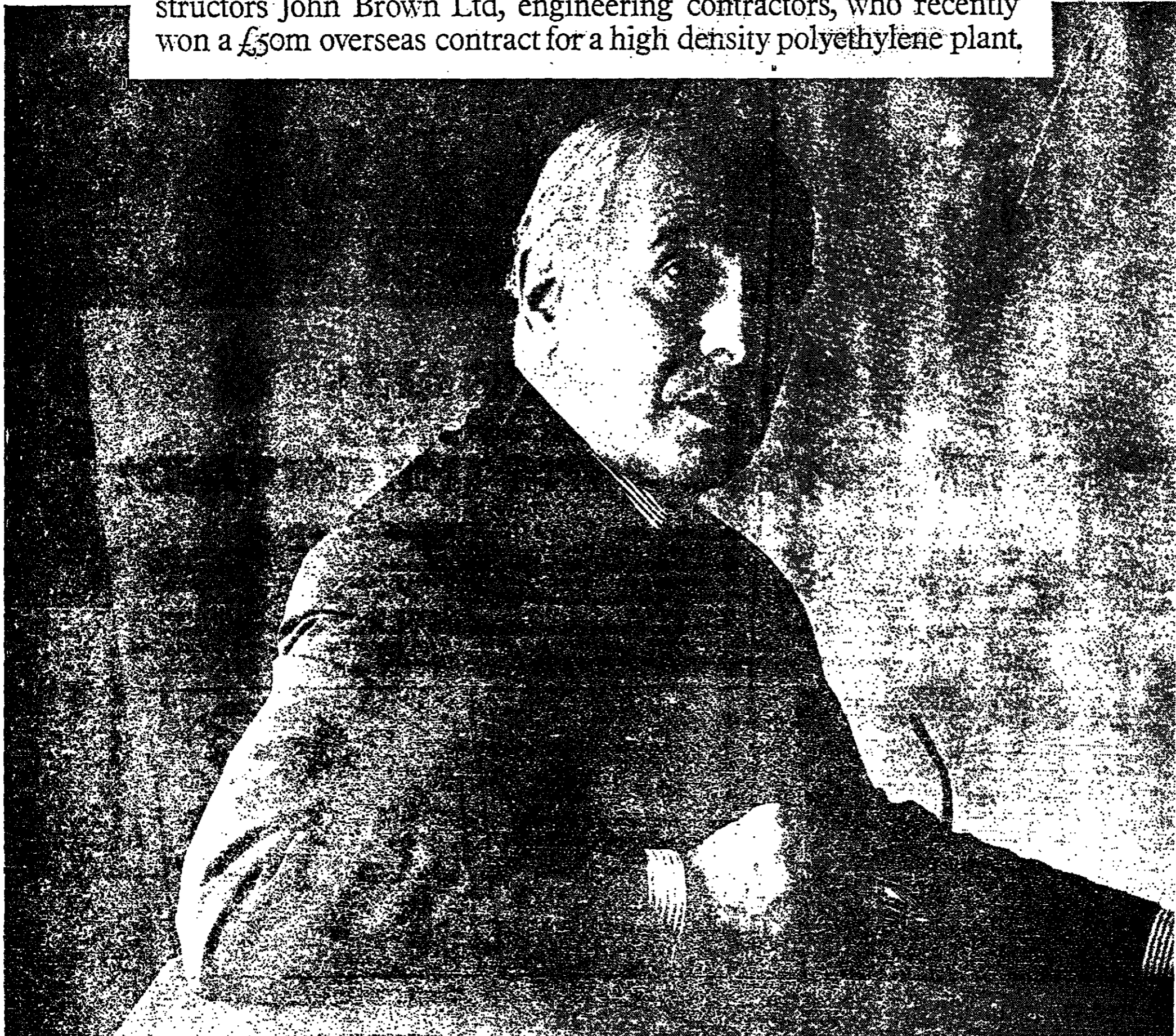
"Landing a large export contract for chemical plant can take a long time. 3 years is not uncommon. So we find it pays to keep ECGD informed of every step right the way through the negotiations.

"This means that they can and do react very quickly when the time comes, without the need for complex briefing.

"It's not 'us-and-them', we work together on a project.

"In fact, if we had an arm's length relationship with ECGD, we just couldn't deal with clients in the way that we have to when facing tough overseas competition. As it is, we're definitely winning."

Mr F. P. Korn OBE is Marketing and Sales Director of Constructors John Brown Ltd, engineering contractors, who recently won a £50m overseas contract for a high density polyethylene plant.



ECGD offers insurance cover for a very wide range of exports, including raw materials, mass-produced and capital goods, services, construction contracts and sales through UK confirming houses, merchants and overseas subsidiaries of UK firms. For certain business ECGD also offers bank guarantees for export finance at favourable rates (to the exporter or his customer); guarantees for pre-shipment finance and performance bonds; and cost escalation cover. Full details from your local ECGD office.

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**French aerospace orders for export near record**

BY DAVID CURRY

PARIS, Oct. 17

ORDERS taken by French aerospace companies for export are likely to be worth Frs.20bn. (£2.35bn.) this year, almost double the previous sales record of Frs.10bn. in 1974. In the first eight months of the year, orders worth more than Frs.15bn. had already been registered, a recent National Assembly Defence Commission has been told.

The greatest credit for this performance has been immediately claimed by M. Benoist-Claude Vallieres, the chairman of Dassault-Breguet, who pointed out that the private concern which is part of the Dassault industrial empire effectively provided work for more than half the 100,000 people in the French aerospace industry through its sub-contracting of work and purchase of equipment. The company itself employs only 15,000 people.

Altogether aircraft sales have so far totalled around Frs.6.6bn. this year, thanks to a substantial, but unspecified, number of sales of the Dassault Mirage fighter-bomber, the success of the Franco-German Alpha-Jet trainer, and the remarkable volume of sales of the Mystere-Falcon series of business jets of which 130 have been sold so far this year.

However, the missile manufacturers, notably the private group Matra and the state-owned Aerospatiale, can also boast of Frs.4.2bn. of orders received and the guess is that further Frs.2bn. is likely to be signed up by the end of the year.

Of total orders for the industry around 62 per cent is for export, with around 37.4 per cent for the State. It was recently calculated, though this rough figure is likely to fluctuate sharply from year to year. The only sector apparently not to benefit from a strong order book is helicopters. The position of Dassault-Breguet is hard to dispute. M. Vallieres ran down his record

as of October 1 for the bar of the National Assembly, a 1,500 Mirage 3 or Mirage 5, been sold, of which 475 to French Air Force, and 420 Mirage 1s including 140 for the national force.

The Franco-German Alpha-Jet had scored 440 orders in 200 for the French Air Force and the Anglo-French Jaguar orders, again 200 of them for French. He also noted that Mystere 20 or Mystere business jets have 5 customers, and the company clearly expects to find a substantial market for its business jets in the Far East, particularly into the U.S. via its joint venture there Pan Am.

Meanwhile the much discussed sale of nuclear power stations to Iran has finally materialised. The two stations, of 300 MW each, should be completed in 1983 and 1984 respectively and are part of a planned work of 20 plants, of which first two are being built by German nuclear consortium KfW.

The French consortium Compagnie Alsthom-Atlas Spire-Batignolles and Fiat behind Franco-German Euro Schneider concern, as led the project. Electricite France is playing a consular role. A 15-year credit of Frs.1bn. is being supplied by group of French banks.

Total contract value believed to be Frs.15bn. which Iran is paying 40 per cent cash down.

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comes from abroad. Other EEC insurers—and the USA—earn less than 15% of their premiums from overseas.

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HOME NEWS

Industry lay-offs begin as oxygen strike cuts supplies

BY LYNTON McJAIN, INDUSTRIAL STAFF

HARLAND AND WOLFF ship-builders in Belfast laid off 1,500 men yesterday when oxygen supplies ran out as a result of the seven-day unofficial strike by hourly-paid manual workers at British Oxygen.

Mr. Peter Hogan, Kenmore works manager, said the two major industrial gas suppliers had become reluctant to go for each other's customers during the past two years.



When you fly UTA, you'll probably be in the air at least 7 1/2 hours. So you'll want nice surroundings (our interiors are by Isabelle Hebey - France's best). Legroom (our DC10's have only 27 1/2 seats). Entertainment (we provide in-flight movies, 7 channels of stereo music, and magazines). And you'll want the finest food.

UTA - The long distance French Airline

Australasian banks may be losing business to U.S.

BY ADRIENNE GLEESON

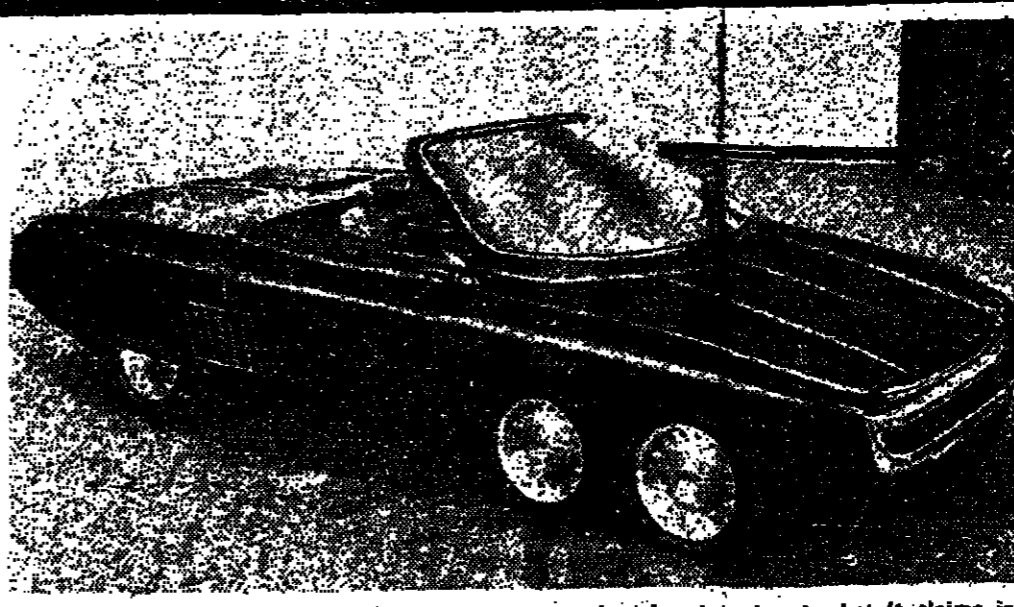
AUSTRALASIAN BANKS IN London appear to be losing business to New York and Singapore because the spread which they quote on "spot" deals in Australian dollars is several times wider than that quoted in other financial centres.

The spread—the difference between bid and offer price on the Australian dollar—is determined by the handful of Australasian banks established in London. Some of them deny the existence of any formal cartel while others claim that there is an agreement by which they must abide.

'Scotland must have Assembly' says Tory MP

BY IVOY OWEN, PARLIAMENTARY STAFF

MR. DAVID KNOX, MP for Leek and a former vice-chairman of the Conservative Party, issued a warning yesterday about the dangerous consequences of another failure by Parliament to carry legislation setting up a Scottish Assembly in Edinburgh.



Panther West Winds, the Surrey specialist motor maker, has introduced what it claims is the ultimate in exotic cars. The Panther 6 is a six-wheeled, 200-mph-plus sports model to sell for £39,950 in the U.K., but available only in limited numbers.

Shell/Esso plan 'novel' development of oil field

By Ray Daffer, Energy Correspondent

THE SHELL/ESSO group is planning a novel form of oil field development for its important North Sea Fulmar field.

Tyrone Crystal glass factory lock out its managers

BY OUR BELFAST CORRESPONDENT

THE 20-strong management team at one of Ulster's best-known crystal glassware factories were locked out on Friday, but yesterday they were back at their jobs.

The men were made redundant out, was formerly the local barber. The directors have said little, but will hold a Board meeting as soon as the chairman and the marketing director return from a sales promotion visit to the U.S.

Merrill Lynch & Co., Inc. consolidated statement of financial condition, as of December 31st 1976.

Table with columns for ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY, and SHAREHOLDERS' EQUITY. Includes sub-sections like Cash and Securities on Deposit, Receivables, Brokers and dealers, etc.

Mixed reception for plan on deferred tax accounts

BY NICHOLAS COLCHESTER

NEW DRAFT accounting rules designed to remove the large amounts of deferred taxation now accumulating as a liability in the balance sheets of many companies have had a very mixed reception in the accounting profession.

Rio Tinto-Zinc begins Lords uranium appeal

BY PAUL CHEESRIGHT

RIO TINTO-ZINC CORPORATION'S final attempt to gain the support of the English courts for not giving evidence in the Westinghouse uranium litigation under way in the U.S. started yesterday in the House of Lords.

Merrill Lynch International & Co. logo and contact information for various global branches including London, New York, and Tokyo.



HOME NEWS

Airlines undecided over new Atlantic fares

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE MAIN Atlantic scheduled airlines have postponed for several weeks their efforts to file a new fares structure for a route to become effective at April 1.

Value of architects' commissions 'is still falling'

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

THE VALUE of architects' commissions is still falling, according to the Royal Institute of British Architects.

NEWS ANALYSIS - PILKINGTON Seeing it through

BY DAVID FREUD, INDUSTRIAL STAFF

WITH the £70m. plant investment announced yesterday, out of the melting furnace and Pilkington, the only flat glass manufacturer in the U.K. and one of the "Big Four" in international terms, has resurrected a project it abandoned three years ago.

Drawbacks

It now has factories in 10 countries and overseas sales last year were £217.7m., compared with £177.4m. in the U.K.

New Rover 1500 versions launched

Stuart Alexander RFP TO-DAY launches its 2500 and 2000 cc-cylinder versions of the auto-window, but very few will be available in the showrooms.

Electro-ceramic pottery exports show big growth

BY DAVID FREUD, INDUSTRIAL STAFF

STRONG growth in pottery exports in the first seven months of the year was made up of sanitary ware and electro-ceramics.

Labour Party in Scotland to plan polls strategy

BY RAY PERMAN, SCOTTISH CORRESPONDENT

THE STRATEGY and policies to be adopted by the Labour Party in Scotland in the vital elections next year, which include regional polls, if not European and General Elections, are to be considered at a special conference at the end of next month.

Shipbuilding orders up on 1976

BY OUR SHIPPING CORRESPONDENT

THE BRITISH shipbuilding industry booked almost as many orders, valued at 382,773 gross registered tons last year and 66,829 in 1975.

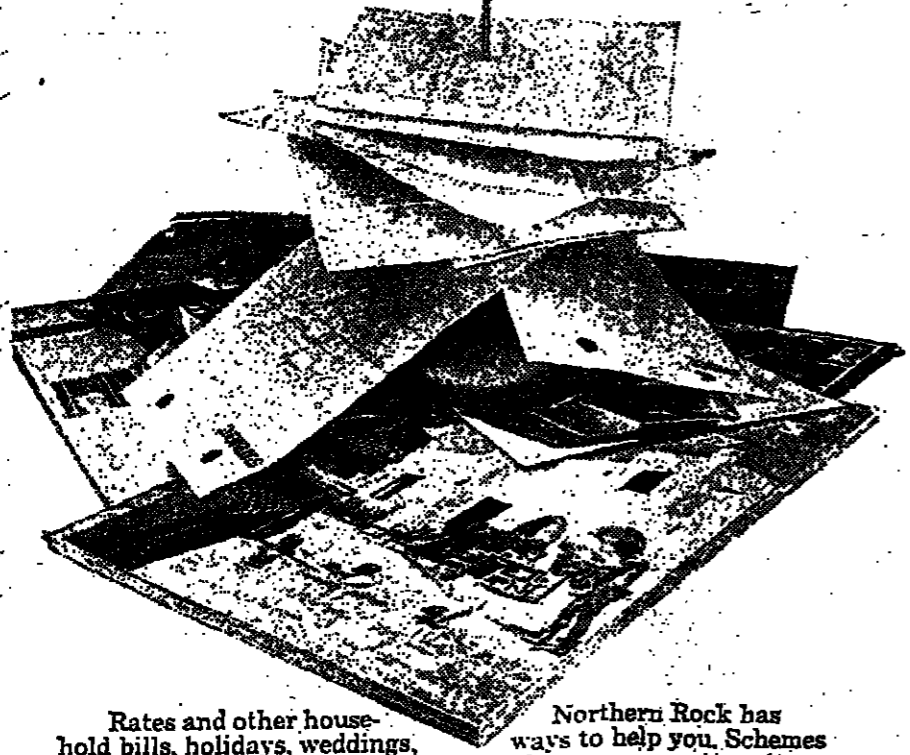
Prudential backs tennis training scheme

PRUDENTIAL ASSURANCE is reported by the Green Shield trading stamps company, will be administered by Mr. Jack Monre, manager of the Lawn Tennis Foundation, which was instrumental in setting open coaching centres in 1962.

"And on your chosen subject, Office Communications, you passed on five questions..."



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# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## MACHINE TOOLS

### Automatics save on big components

SAVINGS of around £70,000 a year, or about 240p per component produced can be inferred from a case study on the use of automatic chucking machines. The Churchills automatic chucking machine, which is a rubber machine, is used to produce a large number of components. The machine is used to produce a large number of components. The machine is used to produce a large number of components.

The company is using six CA 9-16s and one CA500, all seven being single-spindle units, to make trailer axle equipment, and turned fork-lift truck wheel hubs, brake drums and components for hydraulic cylinders at the Bridgend plant. Output is around 250,000 components a year and the company supplies about 60 per cent of solid beam axles and suspension axles for its rubber component batches run from 40 to 500 which demands a great degree of flexibility from the bathes. At the same time, volume is important and the installations have to be able to cope with liquid nitrogen, they double-shift working, which can be interpreted as meaning 4,000 hours a year of operation.

According to Avon, the Churchills automatics have met the requirements with flying colours. Allowing for routine maintenance, machine down-times over the past several years have been negligible.

More from Charles Churchill, Shildon Road, Blaydon-on-Tyne, Tyne and Wear NE21 5AA. 089 435 2133.

## ELECTRONICS

### Family of testers

MEMBRAN has a new series of automatic test equipment, micro-computer based and suitable for digital, hybrid and analogue testing. There are four systems in the new series, all built around the 770 controller, which has a Membrain-designed processor, a display, keyboard, and a floppy disc. Software is transferable and constructed from modular "plug-in" packages. There are two test program languages, Memtest and Atlas, the new generally accepted international test language.

Membrain is seeking to provide a full range of commercial electronic sub-assembly test equipment which marks a departure from its previous systems except in the parts. Its new series was developed over two years with the aid of the NRDC. So far Membrain has spent over £1m. and over 100 man-years on development.

The company now has over 200 systems installed worth over £1m. with 70 customers in 15 countries. The U.S. market is next on the list.

Abstracts are made from published and unpublished material in many languages supplied by Government agencies, professional and trade associations, journal publishers and many international organisations.

Typical searches take around ten minutes and the cost is between £3 and £11, depending which of the 60 databases are used. New ones are being added at the rate of one a month, including some developed in the U.K. More on 01-439 1680.

## SHIPPING

### Dry dock for small craft

A SIMPLE floating dry dock for boats up to 6 tons and 35 feet long has been developed by Walcon Marine, Twyford, Winchester. It is said to eliminate the problems of hauling on to hard or grids.

The dock consists of a hollow fibre reinforced concrete base stabilised by four spousons. With water in the hollow base, the dock sinks low enough for boats to be floated over the base and located against the spousons. The compressor is used to force air into ducting in the base, and the whole unit lifts out of the water, providing easy access for maintenance and inspection.

More from the designer on 0962 712125.

Two RANGES of free-standing, self-contained computer room air conditioning units, with top or bottom air discharge, have been launched by Eaton-Williams Group, Station Road, Edenbridge, Kent TN7 9EG (073286 3447).

Main feature of both models is an electronic control system incorporating energy conserving hard wired logic which selects equipment operation programs to optimise power consumption. The Edenaire-S units have a single refrigeration compressor, but are fitted with an evaporator capacity control which switches in and out to modulate the effective cooling load. This is achieved without starting and stopping the compressor at frequent intervals, and without the use of a ballast.



Learned Information (Europe) of Oxford has been appointed to represent the service in Britain and to provide one-day training courses for would-be users.

One of the most important aspects of the service is its ability to provide, in a few minutes, guidance as to whether a project being considered by a company has, in fact, already been done elsewhere. It will, on demand, produce a listing of patents in the field envisaged and thus gives a clear idea of what is afoot among competitors.

Typical searches take around ten minutes and the cost is between £3 and £11, depending which of the 60 databases are used. New ones are being added at the rate of one a month, including some developed in the U.K. More on 01-439 1680.

Hot gas re-heat and reverse cycle operation are options which can further reduce running costs. All access to the units is from inside; closed circuit glycol/water cooled; or remote air by product and department and cooled. Secondary protection against a excessive rise in temperature of humidity is provided by back-up over-ride controls.

Edenaire-N units have dual compressors, both fitted with the evaporator capacity control, providing greater control accuracy and reducing the likelihood of total loss of cooling if a part fails.

Hot gas re-heat and reverse cycle operation are options which can further reduce running costs. All access to the units is from inside; closed circuit glycol/water cooled; or remote air by product and department and cooled. Secondary protection against a excessive rise in temperature of humidity is provided by back-up over-ride controls.

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## LAING

LOCAL OR NATIONAL CONSTRUCTION SERVICE

CONSTRUCTION

### Casement window frame

BASED ON European best practice and modified to meet the requirements of the U.K. market, a new style of software casement window frame has been launched by Brig Building Components.

The window is centrally fixed by a mullion from which the casement is hung and it can be opened to provide ventilation without going beyond the reveal. The window is opened fully, the window set through 180 deg. back again the adjoining light.

This type of opening offers other advantages. It can be closed from inside the room, all the rebates are on the inside and, of course, can be maintained and cleaned from inside as well. It is finished with a clear finish and other sizes can be made on order.

The window is standardised to conform with BR110 standards and is complete with a complete set of hardware. The window is standardised to conform with BR110 standards and is complete with a complete set of hardware.

A hardware version is available, and a complete set of hardware is included. The window is standardised to conform with BR110 standards and is complete with a complete set of hardware.

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that reflect their unflappable poise. You'll never want to go so far with anyone else. Contact your ABTA Travel Agent or UTA French Airlines. London: 01-629 6114, Manchester: 061-834 7891, Glasgow: 041-221 2101. \*In association with Air Afrique.

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## SERVICES

### Data bank of agents

FINDING reliable agents for the distribution of products overseas can be daunting for companies venturing into export markets for the first time. Even well established exporters moving into new areas of operation can find that the right agent or distributor is not always simple to get.

A service has been launched in the U.K. by Dun and Bradstreet, the business information company and the world's largest commercial credit reporting agency which will help to overcome this obstacle and open up potentially lucrative overseas markets.

Dun and Bradstreet Export Support Service provides a list of financially viable overseas companies interested in handling the particular product line. Prospects are identified either by investigations by local staff or through a databank of about 4m. continuously updated company profiles.

Dun and Bradstreet 01-247 4377.

## COMPONENTS

### Quick off the hook

INSTANT RELEASE of tensioned ship mooring lines can be obtained with a range of jetties books developed by Brown Lennet and Co., Pontypridd, South Wales.

The "Snarian" series books will replace the company's earlier types for most applications. They are smaller and require less maintenance and have capacities up to 150 tons proof load with manual release. Future developments will incorporate electro-pneumatic or electro-hydraulic release systems which will make them particularly suited for applications such as automated oil terminals where central control is required for safety and speed of turn-round.

They are produced in single, double and triple-book versions.

A. J. Bingley, which is at Bramhall Road, Brighthelm, Bristol, BS4 5RW (0272 778264) is offering the manufacturing and marketing rights to suitable machinery manufacturing companies.

Low cost power generation & motor control centres. Dupar Pelapone Ltd, Derby. Telephone: 0332 45436.



and ours

This advertisement is about to attempt the impossible. In one minute, it will show how we have created a very successful computer company by persuading—not pressuring—our customers. We will soon be owned by the Swedish State and Saab-Scania. This means that our backing is greater than most of the world's leading computer companies. But dealing with us is quite unlike dealing with a multi-national giant. Our team of salesmen are all fully trained in systems and commercial applications.

Something few of our competitors can claim. Together with our technical team, their sole purpose is to discuss your requirements with you, evaluate our possible contribution and, when you're good and ready, install suitable Datasaab equipment. Once it's in, our people stay with you until you're ready to take over your own installation. A refreshing change from the sell-it-and-leave-it philosophy of some companies we both know. And after installation, our customers continue to benefit from our on-going systems support and application package development. To find out why people use Datasaab equipment just contact us at the address below. It'll also leave you totally free to choose between their approach. And ours. After all, the Guardian Building Society, John Hamilton (Pharmaceuticals) Ltd, Worldmark Travel Ltd., and over 2,000 bankers made the right decision.

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هَذَا مِنَ الْأَصْلِ

The Financial Times

# The New Chrysler Sunbeam. Very highly specified. Unmistakably styled.



Put a Chrysler Sunbeam  
in your life — Petula

Introducing the new Chrysler Sunbeam. An excitingly unmistakable style that stands out from other hatchbacks around today. But as well as its looks, it brings you many other important advantages which, we think, make it the best in its class. Here are just a few.

#### Sunbeam Specification.

The Sunbeam range is superbly equipped. Even the low priced models have electronic ignition; inertia-reel seat belts in special 'non-trip' housings, dual circuit servo assisted brakes (discs at front), reclining front seats, heated rear window and key warning lights for added safety. You won't find all of these in even the most expensive Fiesta, Polo, Chevette or Mazda. So you can imagine just how much you get with the top-of-the-line Sunbeam S.

#### Sunbeam Servicing and Economy.

The Sunbeam has been designed and built to give you *real economy*. All models need major servicing *only once a year* or at 10,000 mile intervals, with an intermediate oil change and brake check every 5,000 miles or six months. And their revolutionary Electronic Ignition systems mean lower maintenance costs, more efficient use of petrol and instant starting in even the coldest or wettest weather. The fuel economy from the three engine sizes available with the Sunbeam is remarkable, to say the

least. Up to 50.0mpg\* from the specially developed '930' engine; up to 41.5mpg\* from the '1300'; up to 41.0mpg\* from even the sporty '1600' unit, which takes you up to 95mph.

#### Sunbeam Space and Versatility.

Inside, the new Sunbeam is like a much bigger car, because careful attention has been given to wheelbase, width, shoulder and hip room measurements. So driving gives you a very solid, confident feeling. Its hatchback versatility means a massive 42.7 cu.ft. of luggage space with the rear seat folded (even with the seat in position, there's 14.7 cu.ft.). And in the GL and S models, the back of the rear seat also divides in two, letting you take 28.7 cu.ft., as well as a passenger in the back.

#### How's that for versatility?

Style, space, equipment, economy, choice: we're convinced they make the new Sunbeam the best for you and your family.

But take a test drive soon and prove it for yourself. Because only driving is believing. Right?



## THE NEW CHRYSLER Sunbeam



CHRYSLER  
UNITED KINGDOM

\*Manufacturer's figures achieved at an average speed of 36mph over a course of 80 miles of town and country driving.  
\*Owing to an industrial dispute at suppliers' factories, some early Sunbeam models have been built without electronic ignition. As soon as supplies permit, the Company at its own expense, will replace the existing ignition with electronic equipment.







LABOUR NEWS

SHIPBUILDING MANAGERS VOTE TO JOIN EMA

FUC taken to court in poaching row

CHRISTIAN TYLER, LABOUR EDITOR
FUC is being taken to court by the Confederation of Shipbuilding and Engineering...

Dilatory
Secondly, it wants a judge to declare that the TUC is trying to override the Employment Protection Act...

Beet workers vote to return
SUGAR BEET processing Shropshire, agreed to call on workers at one of British Sugar Corporation's three factories...

Grunwick strikers pessimistic about support action

MR. JACK DROMEY, spokesman of the Grunwick strikers, admitted yesterday that he was extremely pessimistic of seeing any official union action against the company's essential services...

Beer returns to Fox and Goose

A MASS MEETING of draymen in Ansell's Brewery in Birmingham is expected to-day to agree to restore beer supplies next week to the long besieged Fox and Goose public house...

Ships' officers firm on strike ballot

MERCHANT NAVY officers told their employers yesterday that they were continuing to prepare for a strike ballot in spite of the fact that they had agreed to join the employers in an exercise to persuade the authorities...

Mr. Dromey said, however, the strikers will be given continued assurances that the investigation was still going on, but the pledges of action will never happen...

The pub, one of the brewery's biggest and most luxurious has been without beer for two years because of a dispute originally centred on inter-union rivalry...

The Merchant Navy and Air-line Officers Association said it was sticking to its demand for a 55,000 officers. A settlement has been outstanding since June 1...

Williams and Glyn's staff accept Phase Two deal

THE FIRST MAJOR pay settlement in an English clearing bank was announced yesterday when Williams and Glyn's staff agreed to accept a Phase Two deal...

Swan Hunter men keep ban on overtime

SHOP STEWARDS representing 1,700 outfters in the nationalised Swan Hunter shipbuilding yards on the Tyne voted yesterday to continue an overtime ban...

Police pay talks to-day

CRUCIAL PAY talks to avert a offer to the police in excess of possible police strike—it would its pay guidelines...

Strike hits Scottish coal output

A STRIKE by mine officials has the loss yesterday of 450 tons bit coal production in central Scotland...

World Value of the Pound

A table below gives the latest available rates of exchange for the pound against various currencies on October 17, 1977. In some cases rates are nominal. Market rates are the rate of buying and selling rates except where shown to be otherwise...

Table with columns: Country, Value of £ Sterling, Place and Local Unit, Value of £ Sterling, Place and Local Unit, Value of £ Sterling. Lists various countries and their exchange rates.

Our food (and our children's food) must not be given away

Next week, on the 24-25th, your Government is attempting, possibly for the last time, to set in train serious negotiations with the EEC countries on the future of one of our most valuable food resources. The waters around our islands, and the North Sea in particular, are the world's most prolific fish pond...

Part of the French community in Africa formerly French West Africa or French Equatorial Africa, are making a return to France. The following table shows the number of French citizens returning to France...

Thomas Cook Bankers Thomas Cook Travellers Cheques accepted name for money. Worldwide. We must have a 50 mile exclusive fishing zone. Includes an image of a fish and the number 50.



# The intelligent way to gather business intelligence

In every type of business, decisions can only be taken on the basis of sound facts, up-to-date statistics and accurate information.

The first way of gleaming information is, of course, through the columns of the Financial Times, daily.

A further way is to put our mine of information to wider, long-term use: by using the Financial Times-SVP Business Information Service.

This service is a collaboration between the FT's own Business Information Centre and SVP-S'il Vous Plait—the international information network. It gives you immediate

access—by phone, letter or Telex—to a wealth of invaluable information.

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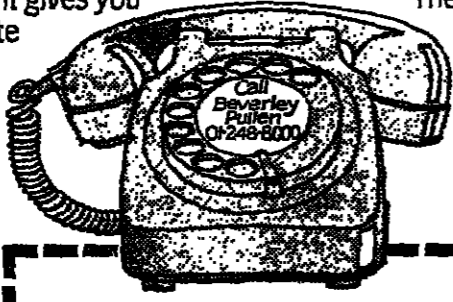
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## MARITIME INDUSTRY FORUM REPORT

# Shipping in stormy waters

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

PERHAPS the most remarkable fact about the International Maritime Industry Forum, whose report to-day faces seafaring nations with some devastatingly difficult alternatives, is that it has survived.

During its two years of life it has attracted shipowners, shipbuilders, bankers and oilmen from 18 countries and is, apparently, still registering new members.

Unfortunately, having stated this one encouraging point there are few other sources of optimism in surveying the world shipping scene, as the forum's report makes abundantly clear.

In effect, there are two separate crises on a collision course. The first is the state of the oil tanker chartering market, where rates have slumped lower than rock bottom, and the second an overcapacity in the world's shipbuilding yards.

In 1976, the yards built 35m. gross registered tons of shipping, whereas in 1980, the Association of West European Shipbuilders expects demand to be less than 13m. gross registered tonnes.

### Survival

This has left the Governments of the traditional maritime nations, like Britain and the Scandinavian countries, in the impossible position of on the one hand, calling for international co-operation in controlling the growth of the industry—and at the same time furiously seeking ways of enabling their own yards to compete with the cheaper products of Japan, Korea and Yugoslavia.

The forum's case is that without international co-operation, the industry cannot survive in its present form. It foresees that the combined losses of tanker operators (because of continuing depression of freight chartering rates) and the deficits of shipyards will ultimately be met by Governments.

This could mean greater State control of both shipping and shipbuilding throughout the world, but it is more likely to produce a small group of large shipowners able to withstand the buffeting of the present market and, at the fringe, a trickle of new entrepreneurs buying their way into shipowning during a period of depressed ship prices.

One London shipping banker says his own company knows of at least a dozen such newcomers already. Certainly the forum has no difficulty in pointing to the casualties of the scenario they describe, nor of identifying the ways in which Governments are seeking to offset the resulting difficulties.

In Britain, the most recent example of governmental cash lubricating the industry's pistons has been the operation of the £85m. shipbuilding intervention fund and in particular its use to secure a £16m. order for British Shipbuilders from Poland.

Probably between £20m. and £30m. will be used from this fund to subsidise the uncompetitive-ness of British yards by this one deal.

In presenting the forum's report yesterday, Sir James Dunnett, the chairman, refused to be drawn into singling out this deal for special criticism. But it remains true that it is an example of subsidising an industry at a capacity which from an international viewpoint must get smaller.

### Lure of aid

The other forms of government intervention—less crude but no less significant which are attached to the report—are flag preference policies whereby, as in the U.S. oil transport industry, it is proposed to reserve a certain proportion of cargo for the domestic fleet.

Equally, the forum is alarmed at the sight of governments—the Norwegians are one example—winning shipbuilding orders from developing countries by using the lure of foreign aid.

In coming up with a figure of \$60bn. for the likely cost to government of covering this over-capacity between now and 1985, the forum is hoping to scare governments into a re-think and to convince the developed nations that short-term protection of employment is not worth the long-term destruction of the structure of two industries.

Although Sir James Dunnett was able to say yesterday that favourable responses to the IMIF document have already been received from certain governments, including the U.K. Departments of Industry and Trade, there are a number of

important weaknesses in the forum's position.

Not least of these is the fact that U.S. companies are debarred from participation by anti-trust legislation. Furthermore, expansion of fleets in the under-developed world is by far the

most important factor, and bodies like IMIF inevitably have less influence there.

On the other hand, the forum can point to its Japanese membership as evidence of interest from by far the world's biggest shipbuilder.

Reflecting the temerariousness of the coming months if it is to be taken of the world economic pressure for later this year to the large-scale redeploying labour out of shipbuilding.

Meanwhile the IMIF, reflecting the temerariousness of the coming months if it is to be taken of the world economic pressure for later this year to the large-scale redeploying labour out of shipbuilding.

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### LIKELY ANNUAL COST TO GOVERNMENT OF SHIPBUILDING SUBSIDIES (M£)

Estimated shipbuild capacity (m. GRT)	1978		1979		1980		Total 1978-80 (m. GRT)
	12m. GRT unsub.*	All sub.†	12m. GRT unsub.*	All sub.†	12m. GRT unsub.*	All sub.†	
15	195	975	246	1,230	300	1,500	741
20	520	1,300	456	1,640	800	2,000	1,976
25	845	1,625	1,066	2,050	1,300	2,500	3,211
30	1,170	1,950	1,476	2,460	1,800	3,000	4,446

\* Assuming first 12m. gross registered tonnes is subsidy-free. † Assuming all building is subsidised.

# Announcing Stone & Webster House

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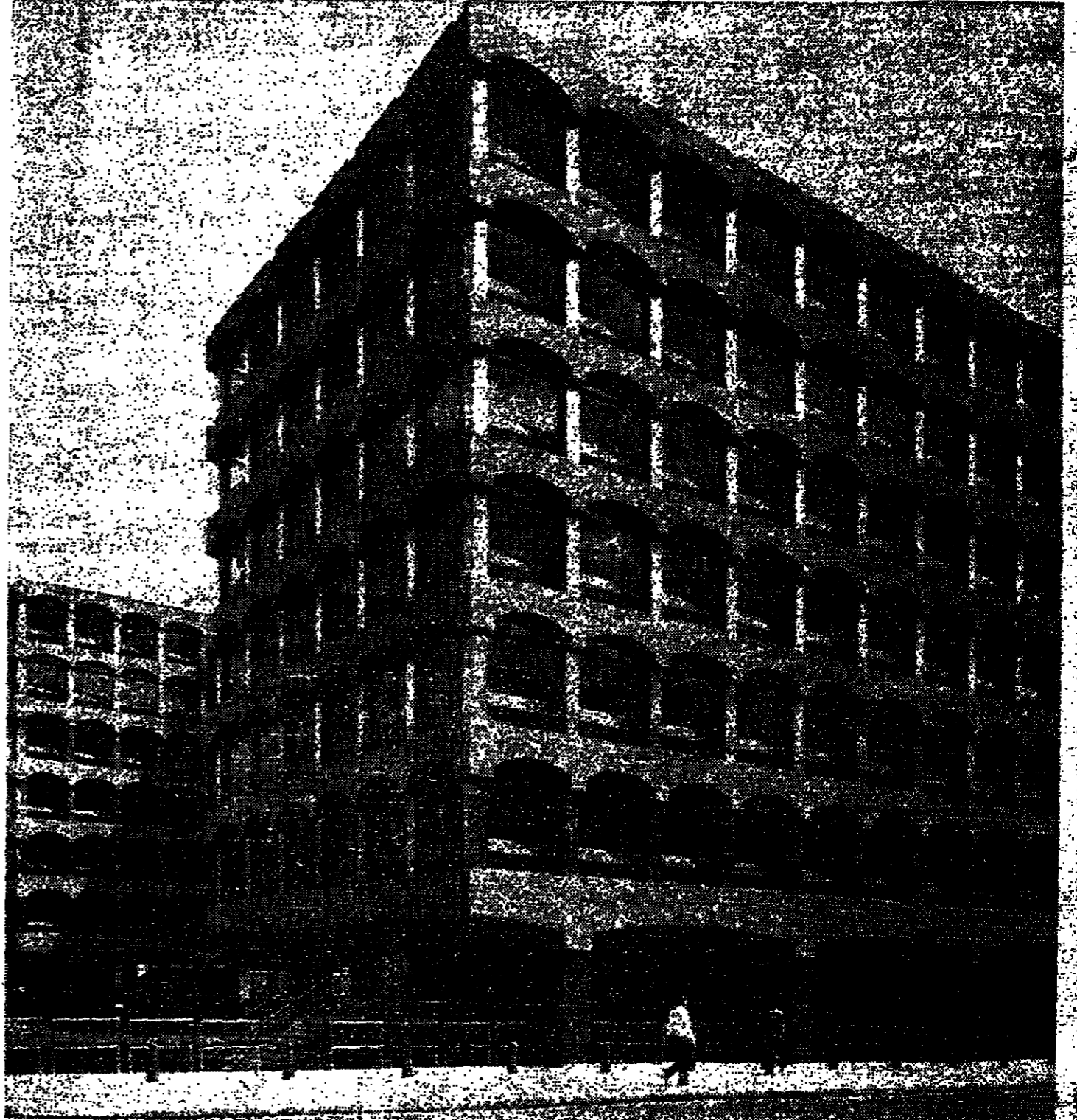
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Other offices in Netherlands, France,  
the USA and Canada.



Handwritten text in Arabic script: "هذا منزلنا الجديد"



# FINANCIAL TIMES SURVEY

Tuesday October 18 1977

# OHIO

## Lower house of industry

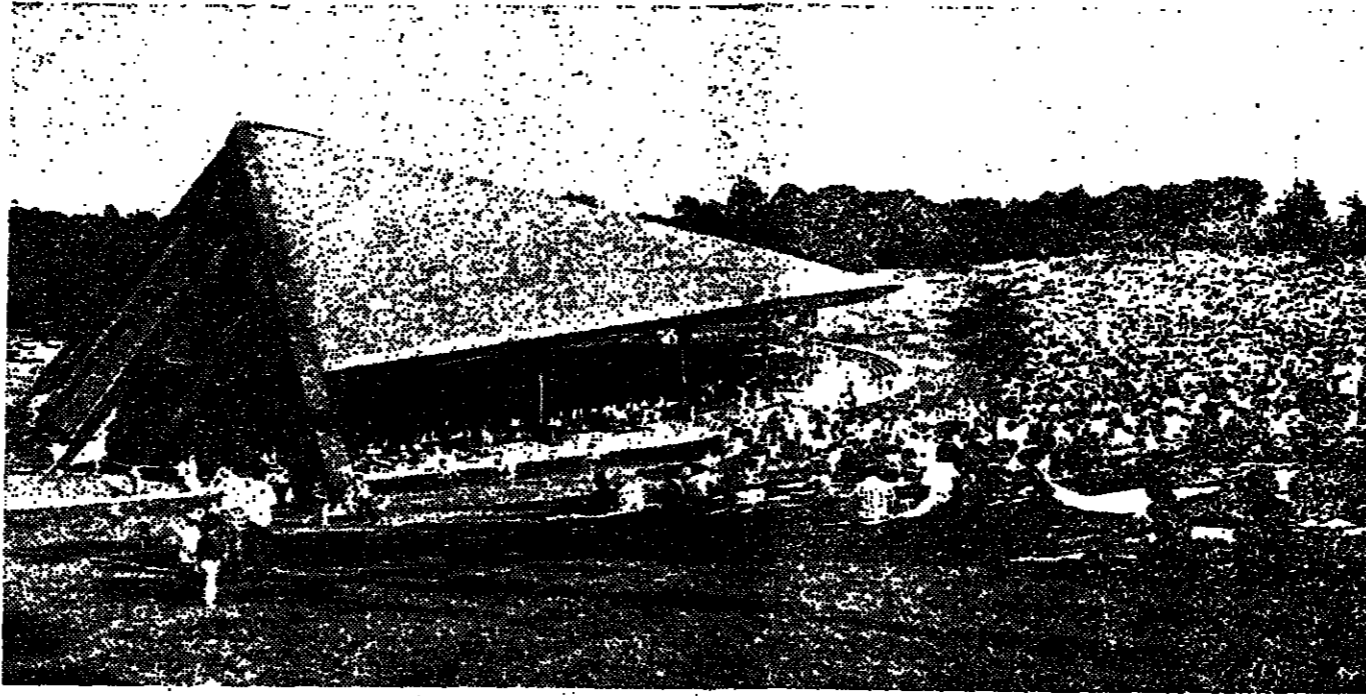
manufacturing region and as the nation's economy grew and diversified so too did Ohio's, enabling it to retain its overall industrial strength and become, for example, an important centre of the U.S. automotive industry as nearby Detroit. When General Motors built one of its most modern plants in the 1960s it was at Lordstown, Ohio. Thus in the 1950s and 1960s Ohio's prosperity seemed to be inextricably linked to that of the U.S. as a whole. To-day, however, there is a growing awareness that the cord which tied the State to the nation's prosperity is in danger of fraying. Government and services—ranging from insurance and banking to fast food chains like Macdonalds and Burger King—have been the growth industries of the 1970s, along with such new industries as electronics and computers. And Ohio, the home of Thomas Edison, the man who invented the electric light, and the first State to have of cars and cash registers (Cleveland), has to a great extent been by-passed by these new industries.

### Indigenous

Even the State's indigenous industries, such as the rubber companies Goodyear and Firestone, who made Akron the tyre capital of the world have been spreading their new factories around the nation or around the globe rather than around Ohio. Hence economists in the State are asking whether Ohio's over-dependence on industry—about one-third of its employment and two-thirds of its State product—are related to manufacturing. It is going to prove to be a liability in what is increasingly being referred to as America's "post industrial era."

The issue of fundamental importance to the State of Ohio

Unrivalled in the U.S. in the scale and diversity of its industry, Ohio is the third largest state in terms of manufacturing output. But as STEWART FLEMING reports, its attitude of relative complacency is having to adapt to meet new competitive pressures.



Music in an outdoor setting: Blossom Music Center near Akron is the summer home of the Cleveland Symphony Orchestra.

Mayor Richard Daley. Significantly, Cleveland has no international or national banks to match either Chicago's Continental Bank or First Chicago. Cleveland, it is true, has its fair share of industrial businessmen, but the charge is made that too many of them turned their backs on the city and retired to back rooms with their accountants. So the name of John D. Rockefeller, creator of the world's greatest oil cartel before OPEC, is not in the public's mind inextricably linked with Cleveland, even though this was the city which saw the birth of his great vehicle the Standard Trust.

Even those Ohioan politicians who rose to national prominence purely put their stamp on the country's affairs—the exceptions include men like Senator Robert Taft—thus Ohio lays claim to being the homeland of no fewer than eight U.S. Presidents—a claim which is cruelly but fairly lampooned in the phrase "mother of second rate Presidents." The list includes such men as William Henry Harrison, William McKinley and Warren G. Harding.

### Astronaut

Even the State's modern heroes, men like astronaut John Glenn (now one of Ohio's senators) and Neil Armstrong, the first man on the moon, are as yet seen more as technology's creatures than the great explorers of the past.

So to many Americans Ohio is synonymous with the Midwest and the name conjures up images of rolling cornfields tended by white farmers addicted to conservative politics and old time religion, and who in general are not too concerned about the world outside Ohio.

The western region of the State is not to see its relative State where it borders on prosperity eroded.

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business. We'll help you cut red tape, help you find a location, and help you take advantage of the business benefits available to you. We want to help you make a profit.

In Ohio, you'll find a great place to live and work. When it comes to good living, Ohio has it all. We have a great state park system, plenty of room for camping, hunting, fishing, boating, miles and miles of solitude, the best in major league sports, and the finest in music and art. And no matter where you are in Ohio, you're within 30 miles of an institution of higher education. Ohio has a truly well rounded cultural, recreational and educational environment. We'd like to tell you more about Ohio, its people, its location and transportation advantages, its livability, and our attitude towards business.

*James A. Duark*  
Governor, State of Ohio

Write or call James A. Duark, Director, Ohio Department of Economic and Community Development, Box 1001, Columbus, O. 43216 (614) 466-3379.

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Write Frank W. Goodhue, Senior Vice President and Manager, International Division, 623 Euclid Avenue, Cleveland, Ohio 44114, or telephone (216) 861-4900. In London, contact Richard E. Baerman, Vice President and European Representative, 65/66 Queen Street, London, EC4R 3EB, telephone 01-248-1456. Telex 881165.

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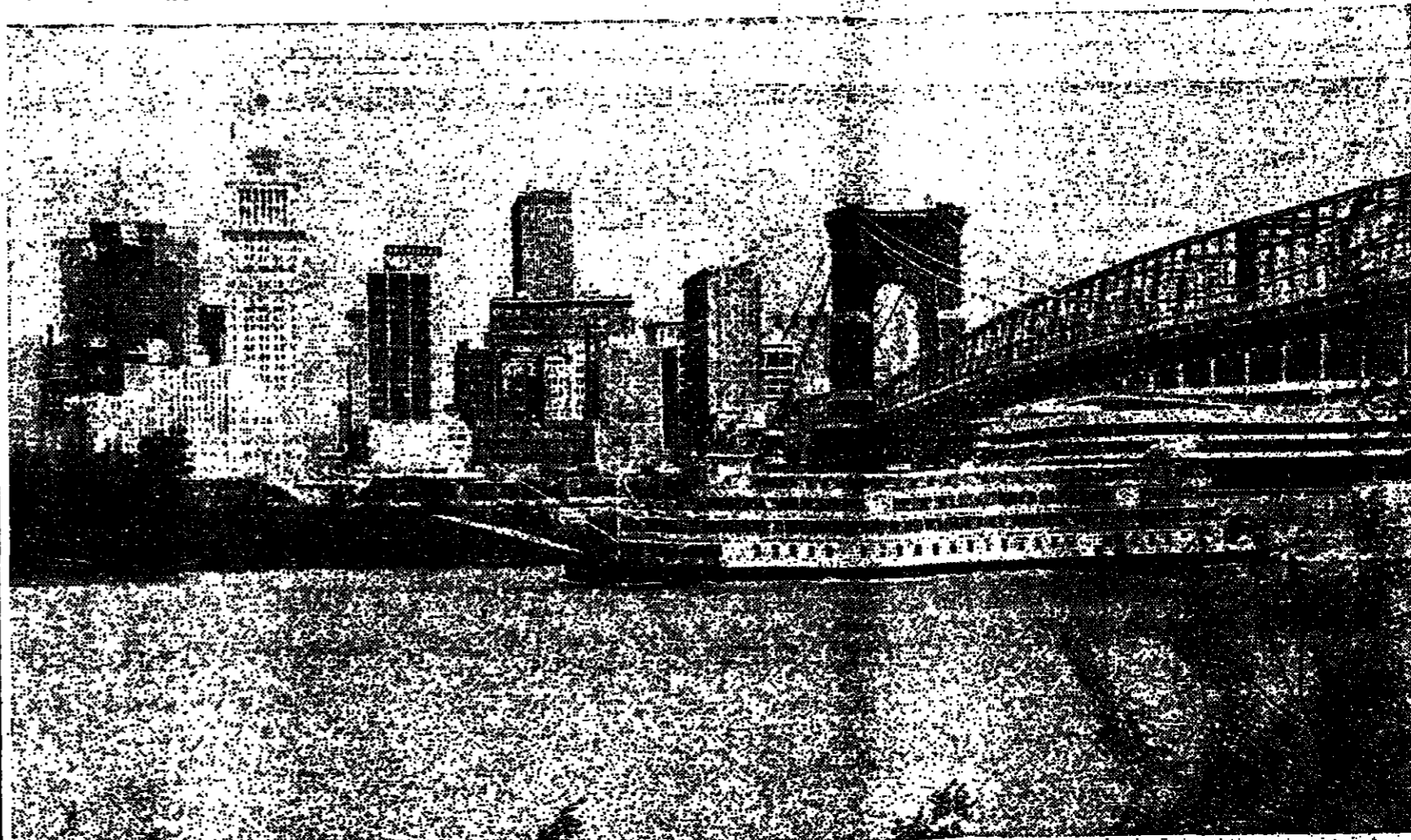
In addition, our International Division, again headquartered in Columbus, is actively engaged in international banking services and financing, including Euro currency lending through our Grand Cayman office. For detailed information on all The Huntington can do for you, write, call or telex our International Division.

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look at the company you'll be keeping in Cincinnati. And at the advantages of doing business in our area.

Contact Charles E. Webb, Director, Economic Development, Greater Cincinnati Chamber of Commerce, 120 West Fifth Street, Cincinnati, Ohio 45202. Phone (513) 721-3300.

- Corporate Headquarter Report
Warehouse & Distribution Guide
Downtown & Suburban Office Building & Office Park Guide

- Industrial Park Guide
1977 Business and Industry Directory
Arthur Andersen Comparative Tax Study
The Entire Library

Greater Cincinnati Chamber of Commerce

\*August 21, 1976 and July 16, 1975 respectively.

FTL-10

THE MIDLAND CO. ■ CINCINNATI MILACRON

Haphazard approach to economic planning

WHEN GOVERNOR James Rhodes first came to office in Ohio 15 years ago his basic political instinct—that if he tried to ensure that there were plenty of jobs for his people this would cure social ills and ensure his re-election—quickly manifested itself. Setting what in 1963 was a particularly aggressive trend in the search for new industrial investment he started sending out teams to promote Ohio as an ideal place for industry to expand in and to scour the country for companies who

might be tempted by the sales pitch that "profit is not a dirty word in Ohio," a State with some of the lowest tax rates in the country. The Governor's efforts were rightly seen as attempts to poach industry from other regions and it was not long before they were just as aggressively emulated. Thus although Ohio did attract considerable new industrial investment, by the late 1980s it was suffering like most of the north-east U.S. from the drift of industry and population to the southern and south western "sunbelt" States.

So now the State of Ohio is faced with a number of inter-related shifts in the structure of the national economy, changes which are being intensified by southern States efforts to promote themselves and offer industry tax breaks and vocational training schemes. Ohio, in the meantime has not lost many of its considerable economic attractions, advantages which helped it to develop as the third most important manufacturing State.

Initially, of course, it was its strategic location between the iron ore deposits in Minnesota and the coal fields of Appalachia (Ohio itself is the fifth largest coal producing State) which were key factors in its development. The steel and metalworking industries of Youngstown and Cleveland reflect these factors. Good communications by road and rail and also across the Great Lakes and down the St. Lawrence Seaway in the north and the Ohio River in the east, have been important strategic factors in the State's economic development, and the development of its export trade, which includes grain as well as manufactures.

Ohio's highly diversified agricultural sector and its food processing industry—with a combined product worth around \$10bn.—are important factors in the underlying strength of the economy. Central to this strength are two other key elements, however—its reservoir of skilled labour and its location at the heart of the nation's markets. Within a 600-mile radius of Ohio are two-thirds of the population of the U.S. and Canada combined, two-thirds of the effective buying power and three-quarters of the U.S. manufacturing payroll. It is also, of course, located right next to the great car assembly plants of Detroit, a factor of crucial importance in Ohio's development as the largest automotive parts manufacturing State in the nation as well as having its own large car assembly industry.

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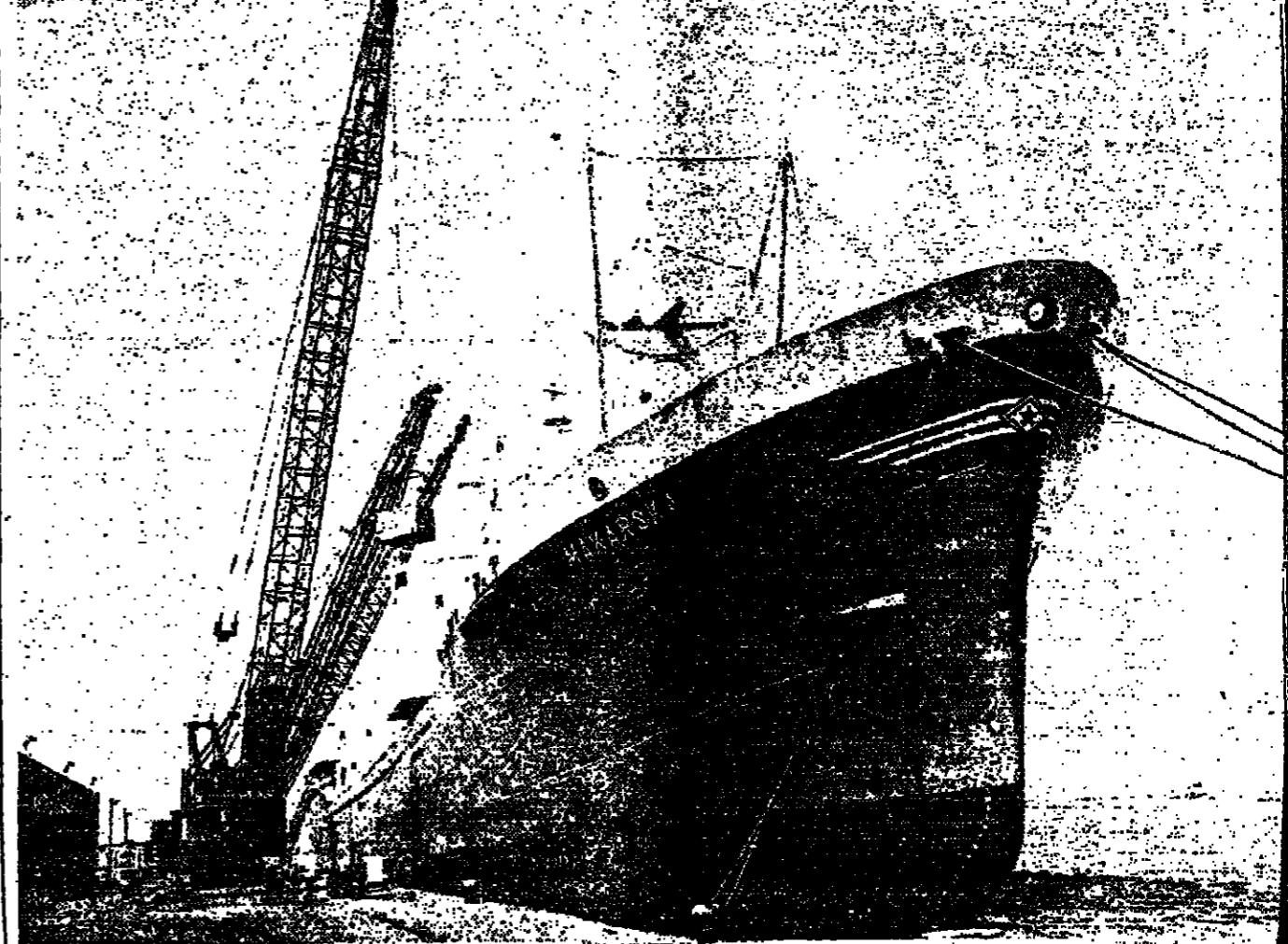
All of which means that, when it comes to business, there's more to Cleveland than Cleveland. And Union Commerce Bank, one of Cleveland's leading international banking institutions, can help you get more of that business because we've been serving this market, steadily and responsibly, since 1938. We know the market; we're close to the market; we can bring you closer. To Cleveland. To Ohio. To the heart of the United States.

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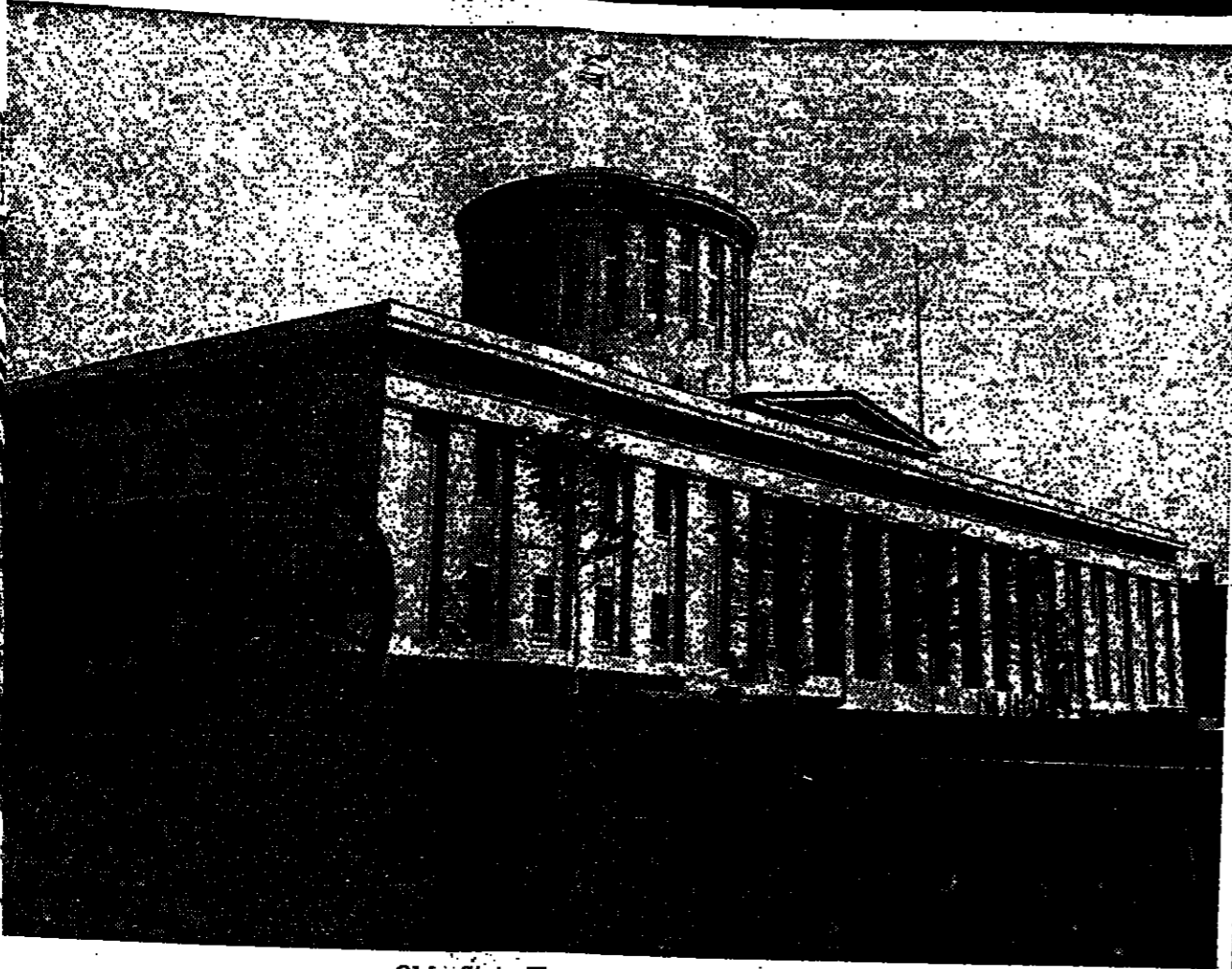


The Port of Cleveland is the best equipped general cargo port on the Great Lakes.

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OHIO III



Ohio State House in Columbus.

# An independent view of politics

RHODES, the Republican governor of Ohio who is retiring the end of his year term, appears to be a politician of the State who is free to concede that his party's voting population in nominal party affiliation was two-to-one in favour of the Democratic Party, not doubt that the chemistry which dicta-

scandal involving top State Republicans. Yet in spite of this background, and the Watergate disclosures, the Ohio electorate seems to have been unmoved by what came to be known as the "post-Watergate morality," and moved more deeply by Gilligan's new taxes, for Rhodes was re-elected for a third term in 1974.

On the face of it Ohio's electorate should be a more predictable, and more solidly Republican than in three previous elections could conjure up healthy Republicanism, that is, he decides



doesn't affect me, reflects me," he says of President Jimmy Carter's election victory last year. It was, incidentally, a key vote which tilted the election in Carter's favour, Ohio again a crucial

Rhodes' view is not for the man," a view which harmonises with the traditional view of Ohio's politics. He has been described as "a conservative" but it is probably more accurate to say that the electorate of Ohio has, in its own way, a strong sense of tradition and continuity.

in 1974, in the wake of the revelations arising from the Watergate scandal, the Republican Party was re-elected for a third term in 1974.

liberal intellectual made him one of the most prominent figures in the State's political life. He was responsible for the State's first anti-Vietnam War demonstration in 1970. And at the end of his term he had

Democratic body. It is a strongly trade-unionised State with three of the nation's most powerful unions heavily represented in its manufacturing economy—the car workers, the steel workers and the rubber workers. It is also a heavily urbanised State and some of the major cities, particularly Cleveland, Columbus and Cincinnati, have large Black minorities.

But in spite of Ohio's possession of many of the characteristics which might be expected to create a hard-core Democratic majority, "big-city" Republicanism is still the dominant force in the State's history. Popular opinion has it, for example, that the State capital, Columbus, is virtually the seat of the Wolf family which controls a major newspaper, the Columbus Dispatch, and has important interests in the city's radio and television stations WBNS, in property and finance.

as anti-union laws come to the fore—as they did in 1958, for example, when "Right to work" was on the ballot—organised labour has not pulled together electorally and thus helped pull the Democratic Party together with it.

For these reasons among others, Governor Rhodes has been able to conjure up his Republican majority, uniting business and farming interests with enough blue collar workers and Blacks to ensure victory. He

written by journalists Robert Burdock and Richard Zimmerman of the Cleveland Plain Dealer newspaper. Although the articles first appeared in 1969, Burdock maintains that they continue to present a fair picture.

### Strings

"Gone are the days when lobbyists openly paid off legislators in cash in the halls of the State House after they had cast a 'right' vote. Gone too are the days when 'Boss' Hanna arrogantly sat in his Neil House suite and pulled the strings of power, perverting the legislative process as drunken legislators reeled among brass spittoons.

But not gone is the tremendous power of the special interest lobbyists who lurk in the legislative halls. Not gone are the log-rolling and the pork-barrelling which waste millions of dollars of tax revenue in the home districts of particularly powerful committee chairmen.

Not gone is a Governor who will buy votes on promises of public works projects. Many, if not most, of the more complex omnibus bills come directly from Columbus-based lobbyists representing trade, business and professional associations. The insurance industry, for example, practically dictates the laws that are supposed to control the industry. The same can be said of banking, the utilities, and savings and loan organisations.

"When Democrats are at the helm labour sups well at the captain's table; but as a constantly potent force in Ohio politics organised labour is only a myth. The coalition of Republican legislators and business-orientated trade associations is a formidable power structure. As a result much needed social reforms and tax revisions are not forthcoming."

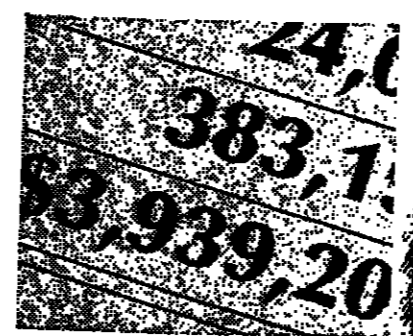


Rolled out the dollars to a company in Latin America to purchase newspaper printing equipment from the Harris Corporation.

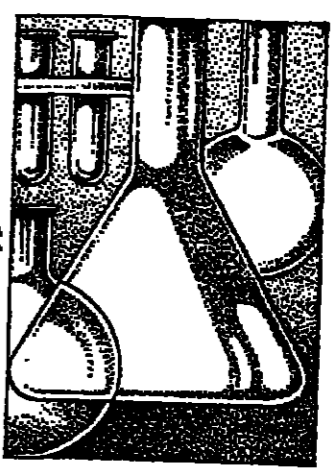


## Cleveland Trust. The Bank that

Constructed a \$7 million loan for a Philippine purchase of earth-moving equipment from Terex Division of General Motors.



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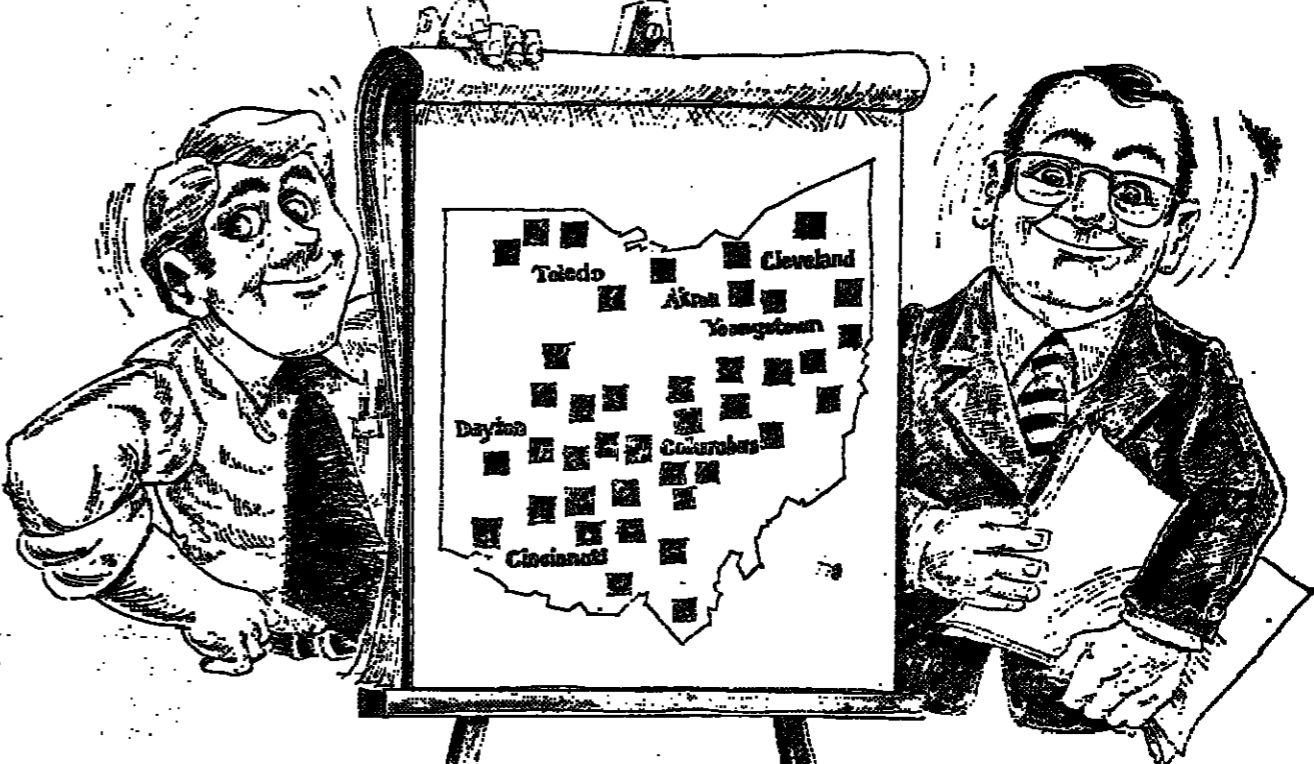
Arranged the necessary financing for Hall Chemical Company's worldwide exports.



Provided \$600,000 for a sale of diesel engines to Australia.

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BancOhio Corporation, any of us is capable of providing all the sophisticated funds management, banking services and financial expertise your company will ever need. When you work with one of us, all of us are working for you. So, if you're interested in doing business in Ohio, talk to BancOhio. We'll respond by opening the right doors for you. Call Fred Mussler, our International Banking specialist at 614-463-7335, or write: BancOhio Corporation, 155 East Broad Street, Columbus, Ohio 43265. Telex: 246 610 Cable Address: OHIONAT COL

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OHIO IV

# Cleveland: a perplexing picture

ALMOST THREE million people, close to one-third of Ohio's population, live in the seven county area around the industrial city and port of Cleveland. The city itself, with a population which has shrunk from 914,000 in 1950 to around 640,000 now, ranks third behind New York and Chicago as a headquarters for some of the largest industrial corporations in the country—a dozen of them with sales over the billion dollar mark.

Just as important throughout the Cleveland region are major manufacturing and engineering plants created by these companies and by businesses such as Ford and General Motors and the hundreds of smaller local engineering concerns. It is this pattern of industry, and the remarkable scene the city itself presents, with steel mills belching smoke from what would

be the very heart of the white community to turn his back on the city. That image was not improved in 1969 when the river that cuts Cleveland in two, the Cuyahoga, went up in flames and was officially declared a fire hazard. Politically Cleveland has represented just as perplexing a picture to the world. In 1966 and again in 1968 it was the scene of some of the worst urban race riots in the country, the most notorious of which became known as the "Shoot out at Glenville."

Even though race relations in this intensely ethnically conscious and divided city deteriorated to such a degree, in 1967 Cleveland became the first major U.S. city in which a majority of white voters elected a black mayor—Mr. Carl Stokes. Stokes won just enough support from the business com-

and a section of the buried and hidden in acres of parkland. Past the wealthy suburbs, however, you run into the rutting ghetto core of the city and then into the ageing downtown area.

Unlike New York City, Cleveland still has its single-A bond rating and its crisis is more economic than financial since it has not borrowed its way into a mountain of unsupportable debt, and its budgets are balanced. It helps that the State meets the welfare bills for the destitute.

But the migration from the city centre — mainly by those who can afford to move to the white suburbs — and the steady decline in the city's manufacturing base when coupled with its inadequate tax revenue and heavy dependence on U.S. government funds are apocalyptic about the city's future, however.

The decline of manufacturing industry in the city is, he suggests, a reflection of the changing structure of the U.S. economy. It is no longer economic for manufacturing plants to be located in multi-story buildings in the centres of cities. More flexible transport methods and energy supplies and the dispersal of industry over the whole nation to be near its markets are just some of the factors contributing to this decline.

needed for the development of the city, and provided it is understood that that means the development of the black or underprivileged neighbourhoods, and not just the potentially valuable real estate in the city centre, he implies that there are grounds for an understanding.

Initially there were fears in parts of the white community that his ambition was to turn Cleveland into a black-dominated city. Mr. Forbes himself smiles non-committally at this suggestion. But he concedes that he has learnt to understand better the interworking of business and the city government and to temper my emotions." He felt that business was too influential—a view which more detached observers have also argued, particularly on the grounds that in the past the business community acted too frequently out of narrow self interest.

Now Mr. Forbes seems to see his relationship with business as a mutual recognition of a shared self interest. Capital is

## Importance

On the other side the business community, it is suggested, is more clearly recognising the importance of a commitment to the city. This can be seen in the activities of the Greater Cleveland Growth Association, at root a business-based organization but one which has broadened its membership and is developing an approach to social as well as economic issues.

A number of major Cleveland corporations have also committed themselves to multi-million dollar office, hotel and retail developments in an effort to revive the downtown area — including a \$70m. office headquarters office for Standard Oil of Ohio.

One chief executive of a Cleveland corporation made it plain, too, that in the wake of the New York fiscal crisis some business-

# Imagine a U.S. market the size of the U.K., France, and one-third of W. Germany....

That's Dayton... Your single best location in the heartland of the United States.

This is what Dayton's central location can do for you in America. Consider Dayton's "90-Minute Market." Within ninety minutes driving time on modern super-highways, it is possible to reach a market of 4.1 million people. As Table I illustrates, that makes Dayton the 10th largest "90-Minute Market" in the U.S.

Then consider Dayton's "Sec-

ond-Morning-Service Market" (a radius of about 986 Km). With 133 million people (the combined populations of the U.K., France, and one-third of W. Germany) it's the largest of America's top ten markets (as illustrated in Table II).

Of course, population isn't the only measure of market size, and Dayton's "Second-Morning-Service Market" leads in some other important ways, too. For example it includes:

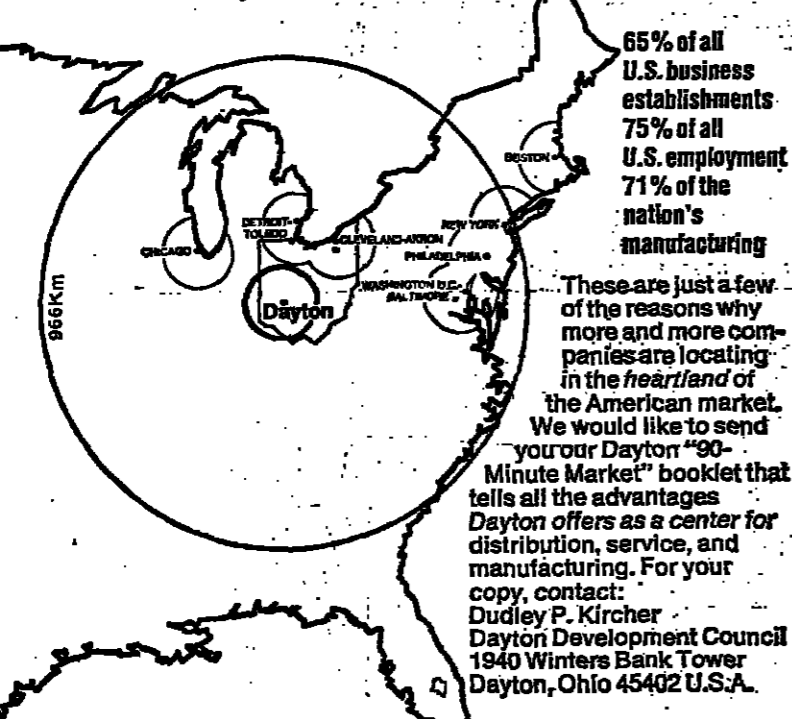
TABLE I  
THE TOP TEN—90-MINUTE MARKETS (Ranked by Population)

Rank	City	Population of 90-Minute Market
1	New York	17.3 million
2	Los Angeles	10.3 million
3	Chicago	8.4 million
4	Philadelphia	8.4 million
5	Boston	6.8 million
6	Detroit-Toledo	6.1 million
7	San Francisco	5.3 million
8	Washington, D.C.-Baltimore	4.9 million
9	Cleveland-Akron	4.2 million
10	DAYTON	4.1 million

TABLE II  
THE TOP TEN—90-MINUTE MARKETS (Ranked by size of Second-Morning-Service Market)

Rank	City	Population of Second-Morning-Service Market	Percent of Total U.S. Population
1	DAYTON	133 million	62%
2	Cleveland-Akron	130 million	61%
3	Detroit-Toledo	129 million	60%
4	Washington, D.C.-Baltimore	116 million	54%
5	New York	92 million	43%
6	Chicago	80 million	37%
7	Philadelphia	88 million	41%
8	Boston	69 million	32%
9	San Francisco	26 million	12%
10	Los Angeles	24 million	11%

Source: Computations based on 1976 Sales & Marketing Management Survey of Buying Power. All figures exclusive of Canadian population.



# the unexpected in DISCOVER DAYTON

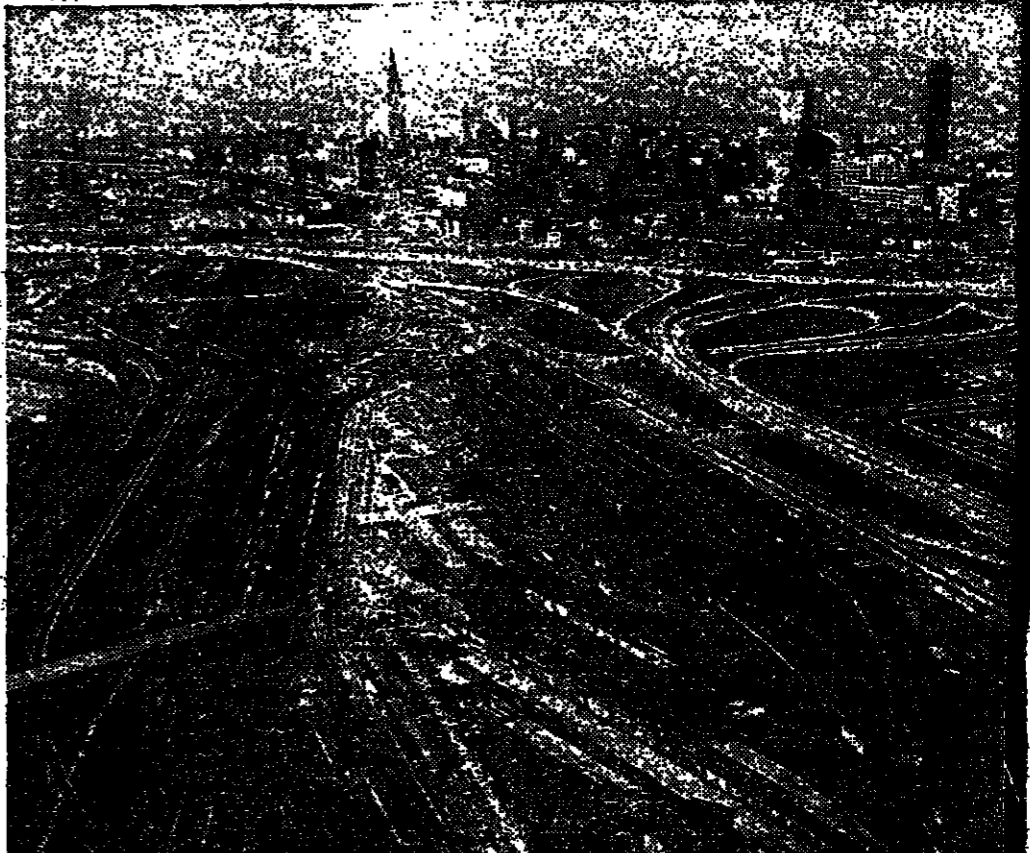
Sponsored by the Montgomery County Commission and the Montgomery County Community Improvement Corporation.

## Evolve

Professor Knight argues that whatever the position of other cities facing such problems, Cleveland is well placed to cope with the change and evolve alternative development strategies to ensure its economic viability. He points out that Cleveland is going through what he sees as a transition—albeit a painful one—as it adjusts to the new role it can develop as a service centre.

He points out that while manufacturing employment is in decline service employment is growing. The strength of the city is its base as a headquarters for major multinational corporations, its large banking community, influential law and accounting firms and other service industries related to business headquarters activity such as computers. The medical industry has grown remarkably, too, in part because of the Cleveland Clinic.

On this optimistic view of the future Cleveland's problems lie in part in dealing with the transition, and this involves recognising what is going on and adjusting to it, for example by adjusting the education system



A maze of roads and railways in Cleveland.

# Industrial warning to business leaders

OHIO'S BUSINESS community is widely considered to be one of the most internationally diversified in the U.S. It is not just that companies like Firestone, the Akron-based tyre company, for example, has expanded their foreign operations in the same way that, say, Chicago's banks have done. Indeed, in the case of Cleveland Trust, it seems to have taken the arrival of a Californian banker, Mr. Brock Weir, as chairman, to begin a firmer commitment to international banking.

Some Ohio bankers express concern about their slowness in developing their international business. International banking is proving to be one of the most profitable areas of operation, especially for some of New York's banks, although it has not been without its problems. But what is especially galling to Ohio's bankers is that, as one banker put it, the State's international corporations have outgrown them in both size and international diversity. One result is that out-of-state bankers have been able to snup up a big share of the business of Ohio's multinationals.

in dealing with Ohio's multinationals. In the meantime there is evidence that more banks are taking a growing interest in international operations, partly through increased trade financing.

While Ohio's banks have based most of their expansion in the State, its manufacturing companies have spread across the U.S. as well as around the world. This is a trend the State government has been concerned about—as have other north western states—since the movement of jobs to other parts of the country can have a depressing effect on the local economy. State officials have realised that historically Ohio are bringing these perhaps 80 per cent of new capital investment in Ohio has been generated by businesses already in the State. So while continuing to try to attract new businesses to the State, they realise that it is just as important to ensure that those who are still there continue to expand.

U.S. labour movement Wage rates have been lower in some these States and Ohio's above average, although some economists argue that these differentials will erode over time.

## Concern

Only this month the State announced that another major foreign direct investment had been agreed. Honda, the Japanese motor industry group announced that it has decided to locate its first U.S. manufacturing facility in Ohio near the State capital of Columbus. State officials hope that the site will eventually develop into a car assembly operation, although initially it will produce motor cycles.

For Ohio's Government officials the Honda decision is an important coup and provides some compensation for their failure last year to persuade Volkswagen to locate in the State—a failure they attribute to the substantial cheap loans offered by Pennsylvania, the banks in spite of the holding State that VW decided on.

The Honda decision will, it is hoped, encourage more foreign direct investment, for it can be taken as an indication that Ohio's advantages of central market location, skilled labour and automotive engineering base, are important

in the State. So while continuing to try to attract new businesses to the State, they realise that it is just as important to ensure that those who are still there continue to expand.

The explanations offered by Ohio's businessmen for decisions to locate new plants outside the State, particularly in the Sunbelt States of the south and south-west, vary. Some freely admit that they are attracted by the tax and development incentives offered in southern states, in particular. They argue, too, that while Ohio's labour force is highly skilled, training workers in southern states of the country is not the hurdle it once was. They do not feel that they lose much by way of lower productivity of workers in these newly industrialising regions of the country. On the contrary some claim that the "work ethic" is just as strong or stronger. Moreover they frequently do not have to deal with powerfully entrenched trade unions as they do in States like Ohio, which have been the birthplaces of the

Drift The drift to the Sunbelt raised particular concerns about the ageing of Ohio's industrial facilities and the need to ensure that the State's do not provide disincentives to new capital investment. Replacements in the steel industry areas of the Mahoning Valley in the north east have realised that historically Ohio are bringing these perhaps 80 per cent of new capital investment in Ohio has been generated by businesses already in the State. So while continuing to try to attract new businesses to the State, they realise that it is just as important to ensure that those who are still there continue to expand.

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Central National Bank of Cleveland Consolidated Balance Sheet.  
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Assets	June 30, 1977	Liabilities	June 30, 1977
Loans	\$ 843,748	Deposits	\$1,335,030
Due from Banks — Time	313,207	Borrowed Funds	421,131
Securities	474,007	Other Liabilities	48,722
Cash and Due from Banks	235,578	Total Liabilities	1,804,883
Other Assets	65,532	Capital	128,350
Total Assets	\$1,928,272	Total Liabilities and Capital	\$1,928,272

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# The Management Page

EDITED BY CHRISTOPHER LORENZ

## Geoffrey Owen describes how a major company diversified in an attempt to deploy a big cash surplus Tobacco man surveys his empire



Mr. Peter Macadam

business where they can be confident of being as successful as they are in their traditional field? Besides, if they are already employing more than 200,000 people and occupy a dominant market position in several countries, do they want to make themselves still more politically exposed by becoming bigger—quite apart from the management strains that normally accompany giant size?

For Peter Macadam, who is now settling in as chairman of BAT Industries—he took over from Sir Richard Dobson last year—these are not academic questions. As the table shows, BAT has spent large sums on diversification over the past decade. Although the acquired companies, taken as a whole, have earned more than enough profits to cover their financing costs, the results cannot be regarded as brilliant. Non-tobacco operations account for nearly half BAT's assets but only a quarter of the profit.

LASSIC problem for the id successful company in re industry is that it es more money than it what to do with. In it should return the cash to the share- is, in fact, an extraordinarily good business to be in. To find another which offers the prospect of a comparable return, on a sufficient scale to make some impact on a company as big as BAT, is not easy.

Part of the reason is that tobacco, despite all the external pressures, has turned out to be a much more resilient business than those who planned BAT's first diversification moves in the mid-sixties perhaps expected. It is, in fact, an extraordinarily good business to be in. To find another which offers the prospect of a comparable return, on a sufficient scale to make some impact on a company as big as BAT, is not easy.

Macadam would like to see the non-tobacco side providing 40 per cent of the profits instead of the present 25 per cent. That implies a substantial improvement in the performance of the paper, retailing and cosmetics companies which BAT already owns. But it also probably implies the need for a fifth leg to the group—if the present balance between tobacco and non-tobacco (in terms of assets) is to be retained. For the tobacco side is not standing still.

Macadam himself was brought up in the tobacco business; he knows that BAT is good at it. He has just shown his faith in tobacco in two ways—first by saying \$25m. to buy the overseas interests of Lorillard, the U.S. company, and second by launching an attack on the U.K. cigarette market. But at the same time he is thinking hard about the rest of the business—and pondering about that fifth leg.

### Pricing

Whatever it turns out to be, the choice will not be dictated by the same criteria which guided BAT's first diversification efforts. The idea behind the purchase of Yardley and other cosmetics companies during the 1960s was they were making new branded consumer items national to withstand the pressure of price-cutting war rather than some other super-merchandise.

Macadam would like to see the fashion which success in cosmetics involves was probably underestimated. Like some big American concerns which have diversified into cosmetics, BAT has found that lipstick and cigarettes do not mix very easily.

With a worldwide turnover of some \$100m. (£91m.), BAT's cosmetics division is a long way behind the international leaders; Avon has an annual turnover of about \$1.4bn. (£96m.), Revlon about \$1bn. (£56m.). More relevant is the fact that cosmetics provides only 1 per cent of the group's profits. Although more cosmetics companies are being acquired (like Juvena last year), outsiders have wondered whether this is the right sort of business for BAT to be in.

Of much greater potential, it only because the industry is so huge, is retailing. Here again the theory of transferable merchandising skills played some part in the decision to buy International Stores in 1972. It has been a long slog turning this company round, but the process of weeding out uneconomic stores is now virtually complete. Macadam believes that the improvements in efficiency and the customer loyalty which the better stores now enjoy have enabled International to withstand the pressure of price-cutting war rather than some other super-merchandise.

and of the trend towards increasing concentration in the economy—might question what public interest is being served by BAT's expansion into retailing, especially when it involves the takeover of medium-sized firms which seem perfectly capable of surviving on their own.

### Merger policy

If there was ever a change in merger policy, so that the acquirer had to prove a positive gain to the public interest from his proposed takeover, BAT's recent purchase of F. J. Wallis, a fast-growing supermarket chain operating mainly in Essex, is the sort of deal which might be challenged. But Macadam points out that there are economies of scale in this industry, that Wallis has suffered more than International from the Tesco-inspired price war, and that Wallis customers will, in time, benefit from the merger with International. The future of Wallis was in any case in some doubt after the death of the company's founder and principal shareholder.

Macadam argues that by providing stronger competition to groups like Tesco and Sainsbury, BAT is doing the consumer a good turn. "We have only about 4 per cent of the retail-grocery market in this

country," he says. "Does that make us a monster?"

There are no lush profits in retailing, whether in supermarkets or in department stores. When BAT bought Gimbel's and Saks, Fifth Avenue in the U.S., a good deal of rationalisation had to be done, by a new management, before a satisfactory return could be earned. More acquisitions will certainly be made, but the contribution which retailing makes to BAT's total profit will be pushed up only slowly.

Why does BAT need to get any bigger? Macadam is well aware of the drawbacks of size. He is not enthralled at the prospect of BAT becoming one of the 30 or 40 giants which, according to some predictions, will dominate the world economy in the early part of the next century. (BAT is No. 25, four places behind ICI, in Fortune magazine's list of the largest non-American industrial companies.) But like his predecessor, he believes that a business cannot stand still. A big company needs a momentum of growth if it is to stay healthy; if the existing businesses do not generate enough momentum, it has to come from elsewhere.

Besides, the money-making machine on the tobacco side drives inexorably on; the cash has to be reinvested somewhere. Macadam does not intend to buy companies simply because they are cheap and available—a temptation to which many companies, including BAT, succumbed during the merger boom. Equally, he will have no qualms about disposing of businesses which have turned out to be bad buys.

Year	Company	Industry	Country of main operations	Price (£m.)
1964/5	Lentherie	cosmetics	U.K.	2
1967	Yardley	cosmetics	U.K.	29
1968	Germain Montell	cosmetics	U.S.	22
1970	Wiggins Teape	paper	U.K.	57
BAT stake raised from 33% to 100%				
1971	Horten (25.6%)	retailing	Germany	32
1972	Kohl (80%)	retailing	U.S.	30
1973	Intl. Stores	retailing	U.K.	48
1973	Gimbel Bros.	retailing	U.S.	85
1976	Piscicrite	cosmetics	U.K.	12
1977	Juvena	cosmetics	Switzerland	5
1977	F. J. Wallis	retailing	U.K.	21

	T/over (%)	Assets (%)	Operating profit (%)
Tobacco	66	54	75
Retail	23	19	8
Paper	8	10	8
Cosmetics	2	2	7
Other	1	15	8

As for the fifth leg, Macadam and his colleagues are looking a long way ahead. What will the world be like in the year 2000? What will be the right industry to be in? Will it be communications, or leisure, or construction, or food processing (which BAT tried to get into a few years ago), or agriculture or something which is not now recognised as an "industry"? A small team of in-house planners, with occasional help from outside consultants, is trying to find the answer to that question. Macadam is looking for something which has a "social" value and it certainly does not have to fit any of BAT's specific skills; the old guidelines for diversification are no longer relevant. What BAT has to offer are financial resources, a general management competence and a long experience of dealing with governments and consumers around the world. Macadam is in no hurry to plunge into an entirely new field. With that money-making machine behind him, he can afford to take a long view. Whatever the results of his long-term planning, it will be a long time before tobacco is displaced as the jewel in his empire.

## Small is the need, but reality is mainly built on a grand scale

REASONS for the flurry of international seminars on size of the organisation, staged by the Acton Society Trust of London, that the U.K. has a more concentrated industrial structure, and fewer small firms, than any of the competitor countries with which our industrial record is often unfavourably compared. What is more, this high concentration occurs despite a pronounced preference, expressed by individuals in Britain, for running their own business.

After a certain point it seems the fact remains, and may indeed be in several papers, that a large work force is more likely to strike. It was not surprising therefore that the "urge to merge", which has been a recent characteristic of the U.K. economy, came under heavy criticism at the conference. "Given the increasing volume of evidence on the poor performance achieved by merging companies, society may be paying a high price for the increased concentration implied by high rates of merger activity," concluded one contributor.

A number of papers at the conference dealt with industrial concentration and the small firm. Among the main points were:

1—Aggregate of industrial concentration is now considerably higher in the U.K. than in little more than a quarter here. A recent survey has indeed suggested that smaller firms play a smaller part in the industrialised country. By the late 1960s, for example, half the U.K. labour force employed in manufacturing worked in enterprises of over 3,000 employees.

2—The size of U.K. firms arises not so much because they operate markedly larger individual plants than in other European countries, but because they control far more separate plants—perhaps an effect of the trend towards expansion by merger and diversification.

3—At the other end of the scale, despite much higher wage levels, France and Germany have five or six times as many firms employing over 200 employees, compared with less than 100 in the U.K. Japan, France and Sweden employ more than half their manufacturing workforce in medium-sized factories with less than 200 employees, compared with less than 100 in the U.K. A recent survey has indeed suggested that smaller firms play a smaller part in the industrialised country. By the late 1960s, for example, half the U.K. labour force employed in manufacturing worked in enterprises of over 3,000 employees.

4—Paradoxically, Britain's largest companies tend to be in industries which have small export potential—the opposite to West Germany; but when it comes to size of plant rather than size of company, Britain has smaller plants than West Germany in the important exporting industries.

Some of the specific figures quoted at the conference were illustrative of the differences between West Germany and this country. At the end of the 1960s and looking at manufacturing companies with less than ten people, in furniture, the U.K. had 624 companies, Germany's 22,674; in metal products 4,480 to Germany's 89,080, and in precision and optical instruments 736 to Germany's 5,700.

Some reasons for this marked difference at the small end of the scale were suggested. The pattern of concentration in the structure and behaviour of the capital market was a frequently named culprit, and in particular a recent study was cited which found that it was much easier to raise external finance for

growth through merger than for growth through internal expansion. No doubt Sir Harold and his colleagues are examining just this question. But other answers emerged. For example, the U.K. may, for whatever reason, have a smaller supply of people able or willing to become final decision-makers (this might relate both to the lower number of small firms here and to the large size of our companies in terms of worker/trade union preference for larger firms, simply on the grounds that larger enterprises tend to pay higher wages.

The effect of U.S. anti-trust measures in stabilising the pattern of concentration in the U.S. and the effect of mass marketing in promoting the benefits of scale in the U.K. were other factors named. If there was a bias at the conference towards favouring the smaller enterprise, this did not prevent various pessimistic conclusions from being drawn. One paper pointed out that the Bolton Committee had not had any appreciable effect on the position of the small firm in the U.K. "If there is a gap in the provision of finance for smaller firms, that gap has existed for 30 years, and so far no one has done anything about it."

Yet there were no obstacles of technology to the development of small firms, it was agreed, nor could differences in technology as such explain differences in industrial structure. Much progress could be made in the small firm sector with existing equipment. But both central and local government would have to make basic changes in the conditions under which small firms operate, if they were to flourish anew. The bottleneck was "software" rather than "hardware".

Rex Winsbury

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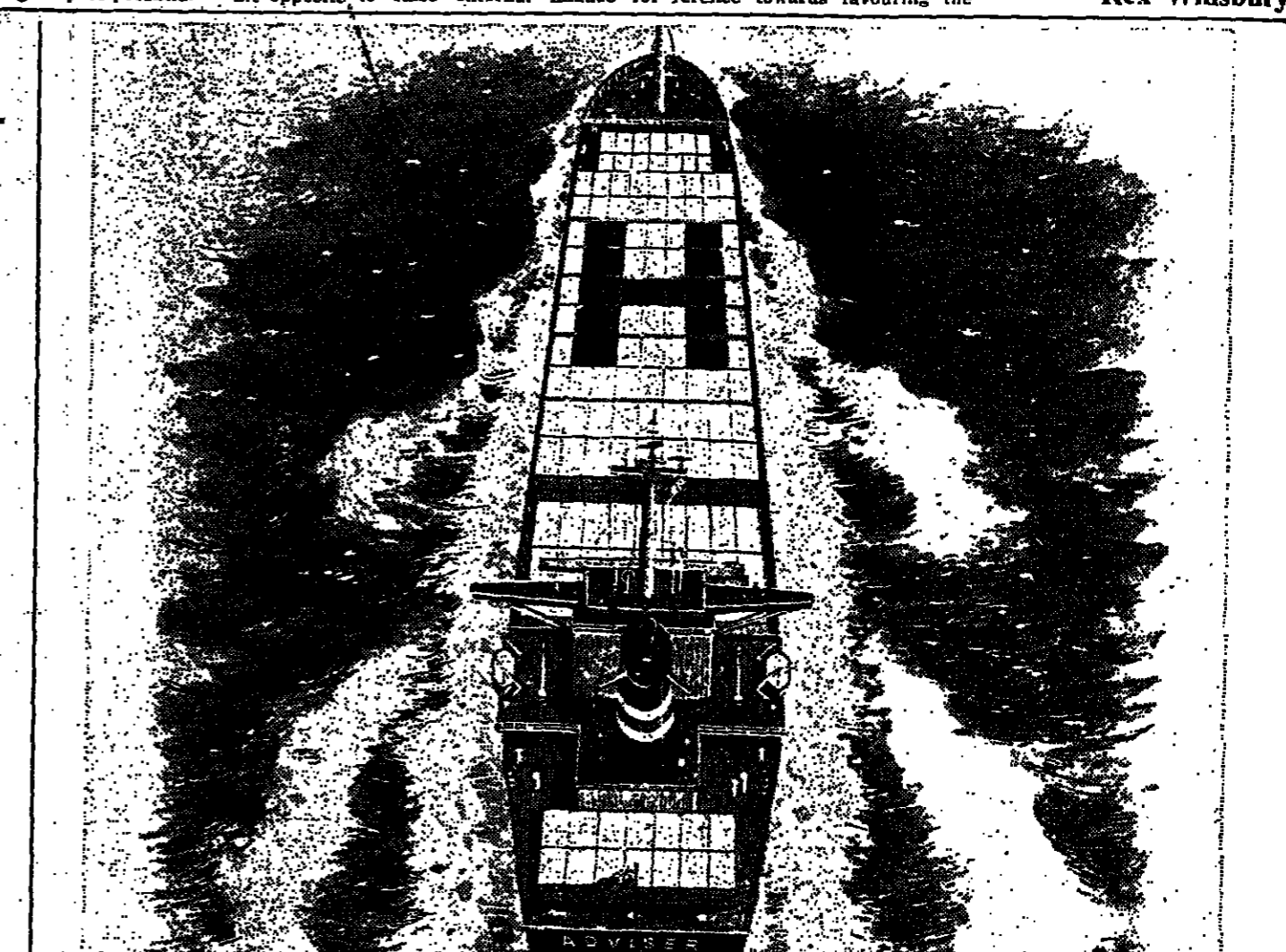
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Tuesday October 18 1977

The Japanese onslaught on American TV makers

By JOHN WYLES, in New York

Holding up well

THE FIRST and provisional estimate of retail sales in September is reasonably encouraging. Volume, seasonally adjusted, seems to have fallen a little—from an index of 107.2 to one of 106.5—but the fall is within the margin of error of the provisional figures and is in any case slight. More important is the fact that the recovery, which began in July, from the sales recession of the second quarter has been more or less maintained to give a rise between the two quarters of close on 3 per cent. in real terms. The improvement in July and August, moreover, could be partly attributed to the summer sale season and the influx of tourists. The September performance must have some less specific explanation. The analysis of sales by category of shop will not be published for another three weeks; but, if the experience of July and August was repeated in September, the recovery was well spread over all categories but one—food shops, whose volume of sales has recently been running no less than 61 per cent. lower than five years ago. The most buoyant individual category, however, has been shops selling durable goods. The rise in their sales—6 per cent. higher in June/August than in March/May—was reflected in consumer credit figures. While new credit extended by finance houses, mainly for cars, rose sharply in August, new credit extended by retailers was markedly higher in July and August alike.

Consumer credit Since personal loans are also thought to have played a considerable part in the recent growth of lending by the clearing banks, it begins to look as if consumer confidence in the outlook has begun to return despite the stickiness of production and the steady spread of unemployment. Tax rebates may have had a small part to play in this greater readiness to incur debt, the sales season (once again more extended than usual) a rather greater part. But the greatest part of all may have been played by the end of Phase Two, the Chancellor's

Not the way to manage Leyland

WHATEVER THE outcome of case with other nationalised today's meeting of Leyland shop stewards—who will vote on the management's proposals for a new system of company-wide wage bargaining—it is clear that present arrangements for channelling public funds to the company are wholly unsatisfactory. The theoretical position is that a very large capital investment programme has been approved in principle by the Government and the National Enterprise Board, but that before any new tranche is handed over the NEB must be satisfied that significant improvements in productivity and industrial relations have been made. Since the company's labour relations are in a mess and even on the most optimistic estimates will take several years to sort out, the practical effect of these arrangements is that Leyland staggers from crisis to crisis.

Warnings At the same time the management, in trying to push through reforms in collective bargaining procedures, has issued dire warnings about the consequences for the workforce if the reforms are rejected. Even if these threats prove effective at to-day's meeting, it is not at all certain that an agreement in principle on company-wide bargaining will produce a rapid improvement in industrial relations or in productivity. The causes of poor labour relations, including the rivalry between the two principal unions involved, are far too deep-seated for that. Thus the chances are that Leyland's performance will continue its up-and-down course, presenting the Government and the NEB with the familiar dilemma of deciding whether the actual or prospective improvement in industrial relations during a given period is good enough to justify a further release of funds. All this ensures that the task of management is made extraordinarily difficult, while doing very little to satisfy the taxpayer that his money is being wisely spent. As we have argued before, it is difficult to see any way out of this dilemma other than through the application of cash limits to British Leyland. If the company's access to public funds were strictly limited, as is the

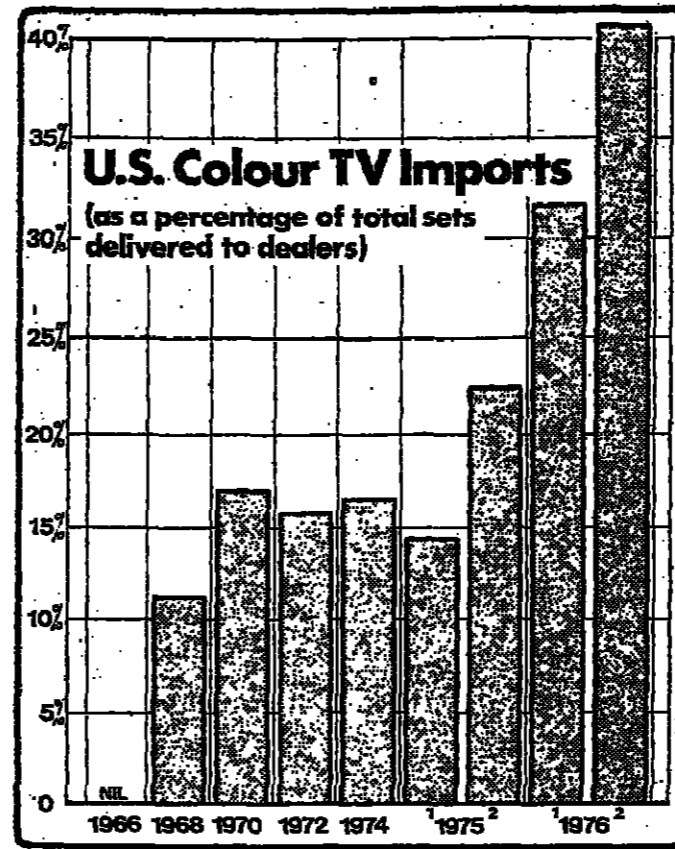
CONSPIRACY AND rape are words rarely used to describe the origins of an industrial crisis. But in the last few years they have become almost stale from overuse by top executives of American colour television manufacturing companies. Since 1966 they have seen their numbers reduced from 16 to eight, the industry's pay roll cut by an estimated 60,000 jobs, profits squeezed, and their market share sliced last year by 40 per cent. They blame the giants of Japan's consumer electronics industry who, it is alleged, have deliberately set out to dominate the biggest market in the world for colour television sets. If the U.S. ever topples into protectionism under the weight of a public opinion tired of seeing one industry after another damaged by imports, it is more likely to be because of Japanese marketing in an area such as consumer electronics, where the domestic American industry is not so patently guilty of a failure to modernise, as in the case of steel, or to compete effectively, as in shoes or textiles.

Assembly plant The American television manufacturers' case is familiar to European ears and especially relevant at a time when Hitachi's request to build a U.K. manufacturing and assembly plant is the cause of so much controversy. The Americans claim that in recent years their industry has been progressively crippled by systematic Japanese dumping of colour television sets which first put the weakest U.S. manufacturers out of business, and then enabled Matsushita and Sanyo to expand their activities by acquiring two other important but severely debilitated American producers. Finally, having established a firm base in the U.S., it is alleged that the Japanese mounted an all out assault in 1975 and 1976 which further eroded the profitability of the American producers. These are far from desperate allegations concocted by a feeble industry to mask its own shortcomings.

Whether or not the Japanese intended to dominate the colour television market may be open to debate, but as far back as 1971 the U.S. Tariff Commission did conclude that American producers were being damaged by the sale in the U.S. of Japanese receivers at less than fair value, and that Japanese pricing had "contributed substantially to declining prices of domestically produced television receivers." The finding ensured that Japanese colour television imports were a suitable case for Government attention and gave Zenith Radio, the largest U.S. manufacturer, the encouragement and confidence to wage a war against the Japanese incursion of an intensity matched by few other companies in any other similarly affected industries. In 1974 it filed a suit against all of the major Japanese manufacturers alleging conspiracy to restrain trade, and earlier this year it won and then lost on appeal a Customs Court decision on countervailing duties which threatened the very basis of U.S. support for GATT agreements. After the 1971 Tariff Commission findings, importers of Japanese sets were required to post bonds to cover possible dumping penalties which might later be assessed. The investigation into dumping margins dragged on for five years with the treasury department periodically letting it be known that the scale of price dumping appeared to be modest. But last April it emerged that the Treasury thought that dumping might have been greater than at first appeared, and that it had pushed up the value of the bonds required from 9 per cent. to 20 per cent. of the cost of the sets. At that time it seemed that the administration could no longer postpone action. From 1970 to the end of 1974, the Japanese share of the colour television market had remained stable at around 17 per cent. but in 1976 the number of imported receivers leaped from 1m. two years earlier to 2.96m., netting nearly 40 per cent. of the market.

Import duties Acting on a complaint from the industry, the International Trade Commission launched an unfair trading investigation last year, and even before completing it concluded at the beginning of this year that so much damage was being done to the domestic industry that import duties on colour sets should be raised from 8 to 25 per cent. This raised the pressure on President Carter who already had ruled in favour of Zenith's case that Japanese sets should be subject to countervailing duties to offset tax rebates given Japanese manufacturers by their own Government. This decision was subsequently overturned on appeal at the end of July and is now heading for the Supreme Court. However, Mr. Carter badly needed to take the heat out of the controversy and with strong U.S. prompting Japan concluded an orderly marketing arrangement in May which limits total Japanese exports of colour sets to the U.S. to 1.75m. units a year for the next three years. The impression was that

ment devoted to the subject in Campaign, the advertising magazine: "It's amazing how popular holiday incentives have become." Needless to say, the orthodox justification for these hand-outs is to boost productivity and reward super salesmen. But as Martin remarks: "It's a way of paying extra." It suits him fine One of the few genuinely funny lines in Margaret Thatcher's closing speech at Blackpool last week was her reference to political clothes snatching and the nice throwaway line about Jim Callaghan looking fairly silly in hers. But one area where political transvestitism is rampant is that of the small businesses, whose virtues are being extolled by both sides—with new found fervour by Labour and more traditional free enterprise preaching by the Tories. So it was with more than usual interest that I called Alan Helliwell; he has spent the past six years building up his own company, North East Audio, and has now accepted the NEB's offer of cash to take over the ailing rival recording equipment company Ferrograph—of which he was once chief executive. What did he think of the sort of aid to small and medium free enterprise offered by NEB? I wondered. Would he have contemplated—indeed, would it have been possible—to take over Ferrograph had he been obliged to rely on normal channels of private capital finance? Helliwell is a political agnostic who finds it hard to be enthusiastic about either of the political majors. But he was absolutely certain that without encouragement from Gerry Connolly, the NEB's man in the North East, he would not have considered the Ferrograph takeover. He was also quite sure that he would never have got the £440,000 required from



American manufacturers were being given a breathing space during a period when their prices, officially denoted in 1971 as a drag on the overall market and a mine that in real terms, colour Japanese products. But it television prices in the U.S. emerged at the end of September that there was not enough breathing space for America's largest manufacturer, because fighting the Japanese challenge had taken its toll of Zenith. A shocked workforce was told that jobs would be cut by a quarter, and that a substantial portion of the company's colour television assembly operations would be transferred to Taiwan and Mexico. The 18,000 employees were told that the company had run into profit problems and that it needed to counter competitors who were "obtaining increasingly significant cost advantages from production activities in lower labour cost areas of the world." That was a reference not to Japanese imports, which are the underlying cause of Zenith's weakness, but to the fact that the company's main American rivals, RCA, Sylvania, Admiral, and General Electric, were all deriving an advantage from offshore assembly operations. Zenith must now do likewise to offer its shareholders a reasonable chance of earnings growth. The fact that Zenith has succumbed to the attractions of an offshore operation goes to the very heart of the problem caused by the Japanese companies. Much of their selling has been concentrated at the cheaper end of the market on

Controlling interest Perhaps more significantly Motorola's television assets were acquired by Matsushita in 1974, adding an 8 per cent. share of the market to the 2 per cent. enjoyed by its Panasonic subsidiary. Finally, Sanyo last year picked up a controlling interest in Warwick Electronics which supplied the Sears private label rocket by 88 per cent. this year under 10 per cent. of the market. During the same post-1971 period, Sony built an assembly plant in California which is turning out more than 400,000 sets a year with up to 60 per cent. imported components. Mitsubishi started a plant in Irvine, California, and Toshiba says it will open one next year. At the same time RCA, Sylvania, Admiral and General Electric have all established facilities in Mexico and the Far East to cut production costs. Zenith made no

19-inch sets sold under own brand names by large retailers. Their prices, officially denoted in 1971 as a drag on the overall market and a mine that in real terms, colour Japanese products. But it television prices in the U.S. emerged at the end of September that there was not enough breathing space for America's largest manufacturer, because fighting the Japanese challenge had taken its toll of Zenith. A shocked workforce was told that jobs would be cut by a quarter, and that a substantial portion of the company's colour television assembly operations would be transferred to Taiwan and Mexico. The 18,000 employees were told that the company had run into profit problems and that it needed to counter competitors who were "obtaining increasingly significant cost advantages from production activities in lower labour cost areas of the world." That was a reference not to Japanese imports, which are the underlying cause of Zenith's weakness, but to the fact that the company's main American rivals, RCA, Sylvania, Admiral, and General Electric, were all deriving an advantage from offshore assembly operations. Zenith must now do likewise to offer its shareholders a reasonable chance of earnings growth. The fact that Zenith has succumbed to the attractions of an offshore operation goes to the very heart of the problem caused by the Japanese companies. Much of their selling has been concentrated at the cheaper end of the market on

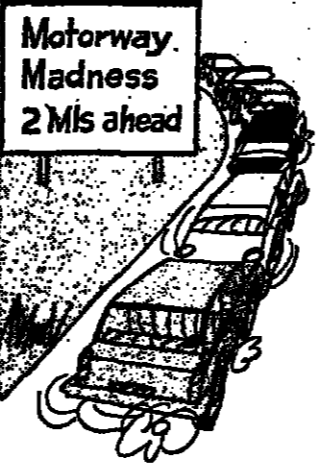
Table titled 'SHARES IN U.S. TV MARKET 1972-77 (in per cent.)'. Columns: Year (1972, 1974, 1976, 1977 estimate). Rows: Zenith, RCA, Sanyo (Controls Warwick), Sony, Magnavox (North American Philips), General Electric, Matsushita (Quasar and Panasonic), Sylvania, Admiral (North American Rockwell), Others (incl. Sharp, Hitachi and Toshiba), TOTAL SALES (m. sets).

secret of its reluctance to emigrate but was finally pushed by a determined round of price cutting this year by RCA, which has all the strength of a diverse, fled group behind it. RCA is second to Zenith in the U.S. market and in the wake of the orderly marketing agreement with Japan is determined to rebuild a market share which has dropped two or three points below its habitual 20 per cent. No manufacturer can be confident that the orderly marketing agreement with Japan will quickly help with pricing, which is why the Treasury Department's continuing investigation is regarded as so important. The first place stocks of Japanese sets are high, amounting to at least 600,000 units. In the second, the Japanese manufacturing bases in the U.S. are likely to become a more important source of pressure in the market because they are expected to try to offset some of the exports being sacrificed by their parent companies under the quota agreement by increasing the U.S. production. That output is not subject to the agreement. And neither are they required to build sets with a specific proportion of American components, although 40 per cent. U.S.-made components is the figure they will work to. Mr. Takao Katani, a Japanese-born analyst working in New York for Drexel Burnham Lambert, is forecasting that production of the Japanese-owned companies in the U.S. will rocket by 88 per cent. this year to more than 1.3m. sets. If that proves to be true, he says that the 40 per cent. cut in last year's exports to the U.S. imposed by the quota agreement will result in an overall loss of market share for the Japanese companies of little more than 51 per cent. There is a school of opinion, which has its sympathisers in parts of the administration, that although the Japanese may have been a little less than just hope those fellers know scrupulous in some of their what they are in for."

Feel the heat The argument for some form of protection is that, without it, the U.S.-owned portion of the TV manufacturing industry will gradually contract and even those plants which survive will be increasingly dependent on imported components; meanwhile the Japanese will tighten their grip on the industry, with a combination of shipment from the Far East and local production. It is precisely the argument which opponents of the proposed Hitachi plant in the U.K. are using; the suggestion is that that once the Japanese control the TV industry, the entire electronic industry will be in jeopardy. A one U.S. executive said bitterly: "semi-conductors and computers will feel the heat next; then a little less than just hope those fellers know scrupulous in some of their what they are in for."

MEN AND MATTERS

The bwanas' great white way South Africa's attempts to pursue the policy of separate development to its logical conclusion, and create independent black states out of tribal homelands, are producing an unforeseen backlash from the government's most dedicated supporters. Deep in the Northern Transvaal, where the only threat to the ruling National Party comes from the even more right Herengtigte (purified) National Party, the white farmers are up in arms. The reason is that they resent being pulled up for traffic offences when they drive through neighbouring Lebowa, the tribal Bantustan bordering their farms, by black traffic policemen. A complaint lodged by the local provincial councillor with a magistrate has brought no joy; they will have to learn to live with it, he was told. "It's just that my constituents, many of whom are farmers of 30 to 40 years' standing, find it hard being stopped by a Bantu," the councillor said in an interview. "They've been riding around these parts for years. Now they find they often have to drive through parts of Lebowa, a Bantu area with Bantu laws and Bantu traffic cops." It now seems the farmers' complaints are going to be answered after all — for it has just been announced that a R4m. (£2.6m.) by-pass is to be built around the offending corner of the homeland. A bit extra With Christmas looming, wages and salaries restrained and lower taxation still a will-of-the-wisp, it's a boom time in the incentives business. Hampers are being ordered—often with a £100 tag on them—to placate employees who are feeling the pinch or look as though they may be tempted to resign for more money elsewhere. But hampers and vouchers for clothes and furniture are just the most exposed aspect of the tactic increasingly used by British companies to "give the boys a bit more." Holidays in the Aegean or Caribbean are available at the top end of the scale. Roy Martin, who calls himself an "incentive consultant," says frankly: "It's almost a way round the pay freeze, isn't it?" In tax terms, incentives can be a fairly grey area. The Inland Revenue salary watershed is £5,000 a year: below that, anything that cannot be resold is not liable for tax—such as holiday vouchers. According to consultant Martin, it is normal practice for a company to reimburse a senior executive if the taxman hampers him for some lavish incentive hand-out. Many companies are intensely secretive about their incentive schemes, for fear that rivals will learn what they are up to and bid higher. Chris Mansell, manager of Olympic Incentives, was quoted in a recent supply-



EUROPE AGENCE INTERNATIONALE D'INFORMATION POUR LA PRESSE LUXEMBOURG BRUXELLES. PRIME MINISTER CALLAGHAN SAID IN BRIGHTON that "it is our responsibility to work for reform of the Community's policies and the manner in which its institutions operate..." AGENCE EUROPE is the only paper which provides daily, systematic and full coverage of Common Market activities... Only available on subscription. Please send me a one-week free trial subscription of EUROPE. Name: Address: AGENCE EUROPE - Subscription Department 130 Bd. St. Lazare - 1050 BRUSSELS (Belgium) Observer

Handwritten signature or scribble at the bottom of the page.



# Awesome model for government statistics

STATISTICIANS are using up schemes that could have a more profound effect on the economy than anything that the economists do. This is not necessarily a new phenomenon: the ability that a master computer could give governments to process data is a well-known fact. But the new schemes are more powerful. They are based on the use of the computer to process data in a way that is more efficient and more accurate than any other method. This is the case with the new schemes that are being developed in the U.S. and in Canada. These schemes are based on the use of the computer to process data in a way that is more efficient and more accurate than any other method. This is the case with the new schemes that are being developed in the U.S. and in Canada.



Sir Claus Moser, who heads U.K. Government statistical services: what Statistics Canada can do may not be possible here.

The largest and most rapidly growing sector in advanced industrial societies. To follow what is going on, we have to digress on this for a moment. By "information industry" is meant all the computer manufacturers, the software makers and the many agencies and services that feed off these, plus a good deal more. It includes the commercial collection and sale of information as well as research consultation services and the renting of machine time. Most theoreticians of this subject also add in the "knowledge" sector by which they mean the newspapers, radio and television, book publishing, advertising and education in the schools and universities. You can stretch it further—possibly too far for the credibility of some people—by throwing in the lawyers, accountants and other professionals whose trade is in ideas or words or numbers.

Canada's chief statistician sees the production and dissemination of information as of overriding importance: whether a company manufactures a motor car or not in this view of less value than knowledge about the likely market, the profitability, the most cost-effective design, and so on. If one starts by thinking like that then the traditional idea of a government statistical service's job at once seems anachronistic. Most statistical services including Canada's are of course still founded on tradition: they collect and publish data on employment, the cost of living or household income in the normal way. Each statistical series is separate from all the others. Most of the basic information is lost or destroyed when the next tables of calculations on which they are based have been published.

would put us in the forefront of the "knowledge industry" to the great advantage of both Government and private users. The danger is that it would also make civil servants far too powerful. I am not sure how many voters perceive this as a danger, a goodly proportion probably feel that Government departments tell each other everything anyway—but inside the British administration at least the terrible potential of "linkage" is well recognised, also hopes to link the 500 largest Canadian companies direct to its own computers so that information can be collected from them without questionnaires by post.

The beneficent use of this already clear. Their "Cansim" central computer has about 200,000 statistical series in store. When, say, the latest unemployment figures are published on paper in they go to the Cansim tapes. Some 2,000 of these statistical series are re-sold by about 13 commercial information companies, much of it on-line to company or Government-owned computers. These users will not ask for a piece of paper, they tap in on their keyboards. If Dr. Kirkham and his colleagues achieve the system they want, such users will within five or ten years be able to tap in far more detailed and specific information than a mere time series on, say, prices or the balance of payments. In theory they will be able to indicate their specific needs—let us say the possibility of selling blue sneakers in Saskatchewan in the summer—and the computer will scan all the raw data in all their many files and come up with a tailor made set of figures that is free of irrelevant drivel. The technology is there. If the consequences of such control over knowledge are of course right to do so. (Imagine how insufferable our own officials would become if they could back their assertions with tailor-made printouts). But I fear that the course of events will force such systems on our societies whether we like it or not. Dr. Kirkham says the best defence, apart from choosing statisticians of integrity and binding them by law to guard personal privacy, is counterbalancing legislation such as a written right to privacy and guaranteed access to both public information and one's own personal files through a freedom of information act.

## Letters to the Editor

**Revival in preferences**  
A. Mayberg  
I was interested to read in the October issue of the Financial Times an article by Joel Stern (October 11) on the new Preference Shares. No such activity had so far here, with a few exceptions, but reasons for thinking about it are becoming more strongly with Stern's cases. A Preference Share should be thought of as an alternative to an Ordinary Share. It is a share in the company's assets and its income, but it is not a share in the company's management. It is a share in the company's assets and its income, but it is not a share in the company's management. It is a share in the company's assets and its income, but it is not a share in the company's management.

## Letters to the Editor

**Virtuous upward circle**  
From Mr. P. Hardy  
Sir—The argument of Sir Malby Crofton (October 13) that a rising currency would create a virtuous upward circle is faulty. Although the former may be a characteristic of the latter, there is no reason why an appreciating currency should cause a change from a vicious circle to a virtuous circle. The effect of an appreciating currency combined with a higher rate of inflation than our competitors would inevitably result in higher export prices (in spite of cheaper raw material prices) and therefore a reduction in the volume of exports. Together with the increased volume of (predominantly manufactured) imports generated by lower import prices, this would result in lower production and higher unemployment in the U.K. There is a danger that such a deteriorating balance of payments position would be masked by increased exports of oil and that therefore the decline of the manufacturing sector would not be so obvious. Although in the long run, the benefits of a virtuous upward circle would be great (low inflation and unemployment, fast growth and no balance of payments difficulties), the cost in terms of production and employment of trying to cause the "circle" to spiral upwards via an appreciating currency would, I fear, be enormous. F. J. Hardy, Economics Department, Brunel School, Blundford, Dorset.

## To-day's Events

- Prime Minister and Dr. David Owen, Foreign Secretary, pay official visit to West Germany for talks with Chancellor Helmut Schmidt.
- The Queen opens Canadian Parliament, Ottawa.
- EEC Foreign Ministers end two-day meeting, Luxembourg.
- British Leyland shop stewards meet in London to consider company's proposed industrial relations package.
- Police Federation begins formal pay negotiations with Home Office.
- Prince of Wales leaves for 12-day U.S. visit.
- Mr. Martin Rea, Home Secretary, opens new police station at Collyhurst, Manchester.
- National Housing and Town Planning Council conference and exhibition opens Royal Hall, Harrogate (until October 20).
- Mr. Ernest Armstrong, Under-Secretary of State, Environment, visits County Durham to mark completion of more than four square miles of derelict land reclamation.
- London Chamber of Commerce morning seminar, Patents, Trade Marks, and Copyright for 12 Laymen, 69, Cannon Street, E.C.4, 10 a.m.
- Mr. Robin Gillett, Lord Mayor of London, attends Glovers' Company Jubilee Ball, Savoy Hotel, W.C.2.
- Council of Aldermen meets, Guildhall, E.C.2, 12.45 p.m.
- COMPANY RESULTS: Brooke Bond Liebig (full year), Furness Withy and Co. (half-year), Marks and Spencer (half-year).
- COMPANY MEETINGS: Capital and National Trust, Bucklersbury House, E.C.4, 11.15.
- Clifford and Snell, Croydon, 5. E.C.1, 1.15 p.m.
- Helical Bar, Institute of Chartered Accountants, Moorgate Place, E.C.2, 12.15.
- Regional Properties, Mayfair Hotel, W. 11.
- OPERA: English National Opera production of Les Bohèmes, Coliseum Theatre, W.C.2, 7.30 p.m.
- MUSIC: Marget Phillips gives organ recital of music by Buxtehude, Bull, Mozart, J. S. Bach, and Albinetti, St. Lawrence Jewry next Guildhall, E.C.2, 1 p.m.
- City Music Society: Royal College of Music Chamber Orchestra, 230, Bishopsgate, E.C.2, 1.15 p.m.
- Regent Sinfonia, Church of the Holy Sepulchre, Holborn Viaduct, E.C.1, 1.15 p.m.
- SPECIAL SERVICE: Consecration of Bishops, St. Paul's Cathedral, 11 a.m.

## A volatile element

From Mr. F. Whitehouse  
Sir—David Watt (October 14) hits off so exactly the current inclination among working men of these parts to switch their votes from Labour to Tory that you wonder how he gets his insight without being one of "us". Must be a telepathic ear that he has to the ground—or at key-holes. Certainly on the basis of what is said on the shop floor, in pubs, clubs and elsewhere, the working class is in a state of ferment. It isn't that the turkeys—mostly skilled people and/or house owners—have come to believe that the old class differences between them and the ruling class of the Conservative Party have been washed away or even decently buried. It's more a matter of "if you can't beat 'em, join 'em". They are looking for someone to do something about restoring their lost differentials, to help over mortgages, to reduce taxes. They believe that once back the Tories will first see to the feathering of the nests of their own kind, but that there is a hidden agenda of a bit of bedding swept their way. They're ready to risk it. Even the blindest Tories could not fulminate more wholeheartedly against the scrappers on social security, the work-shy, the coulin'-less brigade that turn up for work when they feel like it and have no sort of pride at all in their work. It is sometimes comic the way they go on when you remember old tags about a "caring society". A laughable taste of Labour Government seems to have driven them back to the old belief that it's the boss class that knows best how to get things done. Our own are not up to it when it comes to the test. And never more so when it comes to the maintenance of law and order, or the proper punishment of wrongdoing. Most surprising of all, you even hear some contend that if State schools had taken their cue from private schools in the matter of discipline our youngsters would be a damned sight better than they are. They're angry and disappointed as they are against their own kind in Government it is still no more than a semi-firm belief that they are going to vote Tory next time. Sir Keith Joseph's smiling views

## Danger to forestry

From the Chief Executive, Economic Forestry Group.  
Sir—Within two days your reporters have brought us face to face with a world problem worthy of editorial comment which may well have passed unnoticed except to a forester like myself. In the excellent article by Max Wilkinson from Stockholm "the troubles of the Swedish paper makers" (October 10), our attention was drawn to the plight facing the Swedish forestry industry. We are told that due to over-cutting, their forests are in danger of running out. They are faced with an industrial demand for wood which they cannot meet if they are to preserve a stock of timber for their children and grandchildren. The following day Wong Sulong reported from Kuala Lumpur the rape of Eadang-Rompin, where trees within an area designated as National Park are coming down faster than ever to support Malaysia's vastly lucrative timber business. At the very same time John Perton, Shadow Minister of Agriculture addressing the Conservative Party conference reported by Ivor Owen under "Forestry and farms to benefit" promised to encourage more tree planting in the U.K. by amending capital transfer tax to ensure that tax is levied only on the value of trees at the date of death. More tree planting in Britain in both state and private sectors is agreed by all political parties. The Scottish Nationalist Party aims to double the size of the national forest before oil runs out. It must be obvious when tree planting has again fallen through the last year by over 30 per cent to a level which is a mere third of our 1972-74 private planting figures, that some corrective action is necessary. The recent introduction of a new Forestry Commission scheme for grant aid to support private tree planting is welcomed by foresters. Even more important to the forestry industry would be an all-party agreement on taxation treatment. The confidence of woodland owners will only be restored if they believe that their long-term investments in forestry will not be the political plaything of successive Governments. Similarly, foresters will only be able to make a significant contribution to the British economy—notably, by diminishing our balance of payments problem



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## Employee share ownership

From Mr. D. Forrest  
Sir—Financial whelver-dealers should have no difficulty in deciding which of the two Slater Walker sagas they should select for bedtime reading (Barry Riley—October 13). Quality of an author simply doesn't come into it! Even Jim would agree that Charles Raw provides the best return on one's capital investment—one page for Slater at £1,400! D. R. Forrest, 278, Wolsall Road, Streetly, Sutton Coldfield, W. Midlands.

## The best return

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# COMPANY NEWS + COMMENT

## Europe helps Mothercare to £6.4m. midway

WITH A 45 per cent. increase in European earnings, pre-tax profit of Mothercare, the maternity and baby wear group, improved by 26 per cent. from £3.12m. to £6.42m. in the half year to September 24, 1977.

The interim dividend is raised from 0.9115p adjusted for last May's one-for-one scrip issue to 1.018p. This will be paid with a net deferred final dividend for last year of 0.02673p. The total cost is up from £566,482 to £974,571. Last year the adjusted net total was 2.6185p a share paid on a record pre-tax profit of £1.95m.

Total sales in the six months increased by 40 per cent. to £49.94m. with U.K. sales up by 30 per cent. to £41.70m. and European sales by 38 per cent. to £8.18m. Sales to the U.S. amounted to £3.25m. (nil).

Total exports rose from £3.88m. to £4.75m. including £3.93m. (£1.94m.) to group companies overseas.

U.K. pre-tax profit improved by 25 per cent. from £4.72m. to £5.88m. and European profit from £396,000 to £574,000 with the U.S. operation showing a loss of £33,000.

Profit after tax also increased by 25 per cent. to £3.94m. (£1.94m.) in the two Leads stores were re-sited into one larger unit bringing the total number of U.K. stores to 168.

Europe remained unchanged with 13 stores but in the U.S. where one Mother-To-Be store was closed as planned, 19 new Mothercare stores were opened increasing the total number to 125.

In his annual statement on May 27, Mr. S. K. Zilkha, the chairman, announced that the U.S. mail order business would commence operations next January.

See Lex

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Gates (Frank G.)	24	8	Stoddard Carpets	27	1
Hambro Life	26	1	Time Products	24	4

Taxable profit in the year to June 30 improved from £1.87m. to £2.35m. with a total £396,993 (£293,432) to be paid in dividends. The meeting is at Coventry, November 9 at 12.30 p.m.

## Time Products to top £2.9m.

WATCH AND clock distributors and retail jewellers Time Products reports pre-tax profits up from £1.98m. to £2.43m. for the six months to July 31, 1977 on turnover ahead by £3.72m. to £13.65m. The directors are confident that the trend will continue in the second half giving rise to an improvement for the full year on the record £2.93m. for 1976/77.

The interim dividend per 10p share is increased from 0.35p to 0.45p net. An additional dividend of 0.0171p is also declared for 1976/77 on the reduction in ACT. Last year's final was 1.1115p.

The directors state that the tax revisions proposed in ED19 have been ignored at this stage.

## Mettoy up to £1.25m. so far

GROUP TURNOVER for the 36 weeks to September 10, 1977, at toy manufacturers Mettoy Company expanded from £14.58m. to £17.75m. and profits rose from £1.13m. to £1.25m. before tax. Profits for all 1976 reached £2.43m.

Mr. Arthur Katz, the chairman, says that demand continues to be buoyant but margins, particularly in exports are affected by the strength of sterling.

Factors outside the group's control affect its business and make it difficult to forecast full-year results, he adds, bearing in mind the all important Christmas season still ahead.

The interim dividend is raised from 0.9115p to 1.018p net per 25p share and a maximum permitted final is expected. Last year the final was 0.95p.

In his annual statement on May 27, Mr. S. K. Zilkha, the chairman, announced that the U.S. mail order business would commence operations next January.

The Christmas order book is only now being placed and with its comprehensive product range of about 28 toys, Mettoy is well placed for at least its usual share. The market is expected to be strong for the year giving a 4.4 of 4.9 at 45p while the yield is 7.3 per cent., compared with an historic 7.3 and 3.4 per cent. respectively for the sector.

## Galliford set to expand

INDUSTRIAL group Galliford Brindley is to double authorised capital and alter its Articles of Association to allow greater borrowing, directors report.

They say they are continually seeking opportunities for expansion and therefore consider it prudent to have a larger reserve of unissued capital available. Authorised capital now stands at £750,000 divided into 5p shares, with £602,712 issued. Directors have no immediate intention of making a share issue.

Although existing borrowing powers are currently unused directors feel operational requirements in the next few years could require greater borrowing facilities.

The latest acquisitions by the group are International Reservoirs, and Contractors Equipment (South Wales). The group's acquisitive nature has built up an £268,739 adjustment on consolidation of accounts, mostly representing goodwill.

Directors believe this should be progressively reduced and in the latest year to June 30, £250,000 has been written off, the chairman Mr. Peter Galliford says in his annual statement.

He expects the current year to be a demanding one but says a satisfactory result is expected. The acquisition of International Reservoirs is hoped to allow the group to make progress in attempts to find overseas opportunities for its skills and resources.

	Six months	1977	1976
Sales	13,650	8,922	8,329
Pre-tax profit	2,430	1,980	1,870
Tax	1,436	1,096	1,036
Net profit	994	884	834

comment

In the U.K. Time Products trading profits have kept pace with the majors, such as Samuel, with a rise of a quarter. The bulk of the growth comes from wholesaling watches where its own brand, Sekonda, is selling in units per year in the U.K., putting it in the number two position after Times, which has about 8m. of sales. The total U.K. market is only 15m. Associate income is up 46 per cent. which represents the contribution from its 50 per cent. owned business in Hong Kong, one of the largest manufacturers of mechanical watches, some of which are sold into the U.K. under the Sekonda name, though its major markets are in the U.S. and South America. Elsewhere, Time's retail chain is probably the fourth or fifth largest in the U.K. and here its experience has followed the sector. For the second half everything depends upon the Christmas trade—the company takes 30 per cent. of its turnover in the last six weeks—but even so it has a good guide through its wholesale orders and prospects look very good. Longer term it has high hopes of its new Japanese Citizen watches from Japan which takes it into the intermediary market between Sekonda/Limits and the high priced Swiss ranges. But with a yield of 21 per cent. at 11p the shares have little short-term attractions relative to the sector.



Mr. Selim Zilkha, chairman of Mothercare-European earnings have risen by 45 per cent.

## ISSUE NEWS AND COMMENT

### Buckinghamshire variable stock

The prospectus is published to-day in connection with the issue of £5m. of Buckinghamshire County Council Variable Rate Stock 1982 at a price of £100 per cent. payable in full on application. Interest on the stock will be payable half-yearly on April 21 and October 21 at a rate of 4 per cent. per annum above the rate then that sterling deposits are offered for six months to first class borrowers on the London inter-bank market (Libor) at 10 a.m. the day before the interest period commences.

The first payment on April 21, 1978 will be for half a year and one day at a rate of 6 1/2 per cent. per annum. This will amount to £3,110.7 per cent.

Applications will be repaid at par on October 21, 1982.

Purpose of the issue is to raise funds in order to finance authorised capital expenditure and replace maturing debt.

Applications, to be received by Thursday, October 20, must be for a minimum of £100 or multiples thereof up to £1,000. Larger applications above £1,000 to £5,000 should be in multiples of £500; above £5,000 and not exceeding £20,000 in multiples of £1,000. Applications above £20,000 to £50,000 in amounts of £5,000 should be in multiples of £500; above £50,000 and not exceeding £200,000 in multiples of £1,000. Applications above £200,000 should be in multiples of £5,000. Interest is payable half-yearly on February 21 and August 21 with the first payment on October 21, 1978. The stock is payable on or after October 21, 1982. Stated earnings per share 3.05p (3.06p) and the net dividend is raised to 2p (2.01p) for 1976-77 the final dividend 3.6p.

### BRITISH SYPHON RIGHTS—85%

British Syphon Industrial issue of 1,500,000 shares is accepted as to 1,537,700 (35.2 per cent.).

### EXCHEQUER SIZE

The prospectus is published in connection with the issue of £200m. of 10 1/2 per cent. Stock 1977 at a price of 100p. Interest is payable half-yearly on February 21 and August 21 with the first payment on October 21, 1978. The stock is payable on or after October 21, 1982.

### Bishopsgate holds level at midway

A SMALLER proportion than normal of total revenue for the year was received by Bishopsgate Trust in the half year to September 30, 1977, leaving gross income down from £322,061 to £294,552.

After tax of £151,427, against £168,702, net revenue was maintained at £222,758 compared with £262,216 for the previous first half. The directors say that the anticipated increase in total revenue will now occur in the second half. Last year the net revenue was £472,170.

At mid-year net asset value per 25p share, with prior charges at par, was better at 235p (174.6p) (£170,534). The dividend at market value 283.5p (186p), was 1.415p net.

### Gates up to £0.58m

FIRST-HALF 1977 pre-tax profit of Ford's subsidiary, Gates, rose from £352,578.711 on turnover up to £103,570.2 and the dividend at £262,758 compared with £262,216 for the previous first half. The directors say that the anticipated increase in total revenue will now occur in the second half. Last year the net revenue was £472,170.

At mid-year net asset value per 25p share, with prior charges at par, was better at 235p (174.6p) (£170,534). The dividend at market value 283.5p (186p), was 1.415p net.

### DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corresponding dividend	Total last year	Total this year
Alpine Holdings	0.83	Dec. 3	0.81	1.63	5.25
Bishopsgate Trust	2.0	Nov. 24	1.65	3.65	15
Coronation Syndicate	2.5	Dec. 3	2.5	5.0	2
Hambro Life	0.4	Dec. 9	0.5	0.9	4.86
Leisure Organisation Ltd	0.5	Jan. 5	0.5	1.0	1.9
Lowland Drapery	1.5	Dec. 10	1.2	2.7	5.4
Mettoy	1.02	Jan. 3	0.95	1.97	2.62
Mothercare	1.02	Jan. 3	0.91*	1.93	5.4
Securities Trust	3.2	Dec. 12	2	5.2	1.5
Time Products	0.435	Jan. 20	0.39	0.825	25
Tweefontein	43	Nov. 24	20	92	

Dividends shown pence per share net except where otherwise stated. \*Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡Additional 0.02685p for 1976-77. §Additional 0.0171p for 1976-77. ¶South African cents gross throughout. ††Gross throughout.

## Alpine higher at midway despite subsidiary loss

DESPITE AN increased loss from its discontinued industrial recovery would make for a yield of 7.5 per cent., the prospective p/e stands at 10.8.

The industrial windows operation, Alpine Holdings, pushed taxable profit £127,000 higher to £228,000 in the 27 weeks to August 7, 1977. Turnover jumped from £5.24m. to £7.4m.

The industrial windows operation contributed a £149,000 trading loss compared with £57,000 last time, while closure costs on the drawn from the market of £50,000 treated as an extraordinary item, offsetting the £48,000 gain from the sale of 51 per cent. of its subsidiary Alpiazur.

Mr. J. G. Gulliver, chairman, says that its principal activity Alpine (Double Glazing) Company, achieved a very good contribution to profit in the period and installations continue at satisfactory levels.

Retail selling through Debenhams stores, which began in September 1976, has been extended to 40 stores, with 11 opened in the past six weeks. A new basis for the operation has been agreed in the period and it is expected that retail selling will contribute to profits in the current period, with the outlook for retail selling continuing to be encouraging. In the half-year this contributed £283,000 to turnover, and an £89,000 trading loss.

Alpine Dreamline, which sells and installs fitted bedroom furniture found difficulty in depressed trading maintaining the progress achieved in the same period last year, although some improvement is expected in the current period.

As advised in August Alpine's 36.7 per cent. holding in Century Aluminium Company has been sold to a subsidiary of Selection Trust for £20,508 against a book value of £191,140. Loans of £24,062 will also be repaid.

Mr. Gulliver says it is the company's intention to expand into complementary activities in the area of home improvement through internal development and particularly through acquisition. A number of opportunities are being considered.

"Now that the unprofitable industrial window activity has been closed we view the future with confidence," he says.

The interim dividend is ahead from 0.8125p per 5p share to 0.825p net. Last year a total 1.625p was paid on profit £280,000 lower at £465,000.

comment

The closure of Alpine Holdings' loss making industrial window's subsidiary, Alpine Windows, came too late to benefit first half figures and the 132 per cent. recovery to pre-tax profits is largely due to a sharp upturn in profits from door-to-door sales of double glazing—as an increasing number of householders try to minimise fuel bills through energy saving measures. Retailing of double glazing through Debenhams stores is still showing a loss although Alpine hope these will be eliminated by the recent renegotiation of the concession terms. Second half figures will benefit from the absence of Alpine Window losses, while a £50,000 first half provision should fully cover closure costs, so full year profits may be as high as £850,000. Following its major slimming operation Alpine is now looking for new acquisitions to expand its interests in the home improvement sector. The balance sheet, however, could not support a major cash offer, despite the injection of £545,000 from the sale of the Century Aluminium stake—while the share price at 45p although at a near high for the year, is still well below its peak of 70p in 1973. A full dividend

## Midterm rise at Secs. Trust of Scotland

Available profit of Securities Trust of Scotland increased from £540,448 to £505,028 in the September 30, 1977 half-year on turnover, ahead from £1.2m. to £1.3m.

The result is after tax of £389,228 (£362,514) and earnings £540,448 to £505,028 in the September 30, 1977 half-year. The interim dividend is lifted 0.25p to 2.25p while the total last year was 5.4p from record pre-tax revenue of £1.56m. The value per share is ahead with prior charges at par from 181p to 229p while with charges at market value it rises from 205p to 248p.

## Base Rate Change

Bank of Baroda announce that balances in their books on and 18th October, 1977, and until further notice their Base Rate for lending 6 1/2 per annum. The deposit rate on monies subject to seven days' notice withdrawal is 3% per annum.

## Investment trio loans

Scottish Western Investment, Caledonian Trust and Clydesdale Investment have borrowed U.S. \$1.5m., 1m. and 1.5m. respectively for a period of 3 months to January 12, 1978. The proceeds have been utilised in repaying short-term borrowings of similar amounts which matured on October 12, 1977.

## Associated Japanese Bank (International) Limited

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A J B is an international consortium bank of leading Japanese banks and investment banking house.

Shareholders  
The Sanwa Bank Limited  
The Mitsubishi Bank Limited  
The Dai-Ichi Kangyo Bank Limited  
The Nomura Securities Co., Ltd.

29-30 Cornhill, London EC3V 3QA  
Telephone: 01-623 5661 Telex: 983661

## Lowland Drapery improves

Helped by five months trading of Monteliths Tartan, acquired earlier this year, first half 1977 pre-tax profits of Lowland Drapery Holdings improved from £75,690 to £116,100 on turnover of £2.5m. compared with £1.9m.

Sales continue to show an increase, and although the rate of increase has lessened, the directors anticipate an upward trend in profit for the rest of the year. Profits for all 1976 came to £131,765.

The interim dividend is lifted from 12p to 1.50p share. The final for 1976 was 3.86p.

	First half	1977	1976
Turnover	2,500,000	1,900,000	1,900,000
Trading profit	162,300	121,700	76,600
Pre-tax profit	116,100	75,690	75,690
Tax	61,800	41,000	41,000
Retained	54,300	34,690	34,690

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2,000 sq. ft. approx.  
Air-conditioned Office Suite.
- 19/21 Moorgate, EC2.  
2,650 sq. ft. approx.  
Second Floor Office Suite.
- 4 Coleman Street, EC2.  
6,300 sq. ft. approx.  
Self-contained Banking Unit.
- 5 Moorgate, EC2.  
6,740 sq. ft. approx.  
First Floor Offices with Basement Strongrooms.
- 19 Eastcheap, EC3.  
12,000 sq. ft. approx.  
Refurbished Offices on Two Floors.
- Moor House, London Wall, EC2.  
12,400 sq. ft. approx.  
Modern Offices on Two Floors.
- 11 Ironmonger Lane, EC2.  
17,500 sq. ft. approx.  
Self-contained Office Building.
- Royex House, Aldermanbury Square, EC2.  
19,290 sq. ft. approx.  
Modern Offices on Three Floors.
- 4 Crosby Square, EC3.  
20,380 sq. ft. approx.  
Freehold Office Building.
- Heron House, High Holborn, WC1.  
22,350 sq. ft. approx.  
Air-conditioned Offices on Three Floors.
- Catherine House, Leonard Street, EC2.  
31,000 sq. ft. approx.  
Air-conditioned Office Building.
- Southwark Towers, London Bridge Street, SE1.  
32,070 sq. ft. approx.  
Air-conditioned Offices on Three Floors.

**JONES LANG WOOTTON**  
Chartered Surveyors

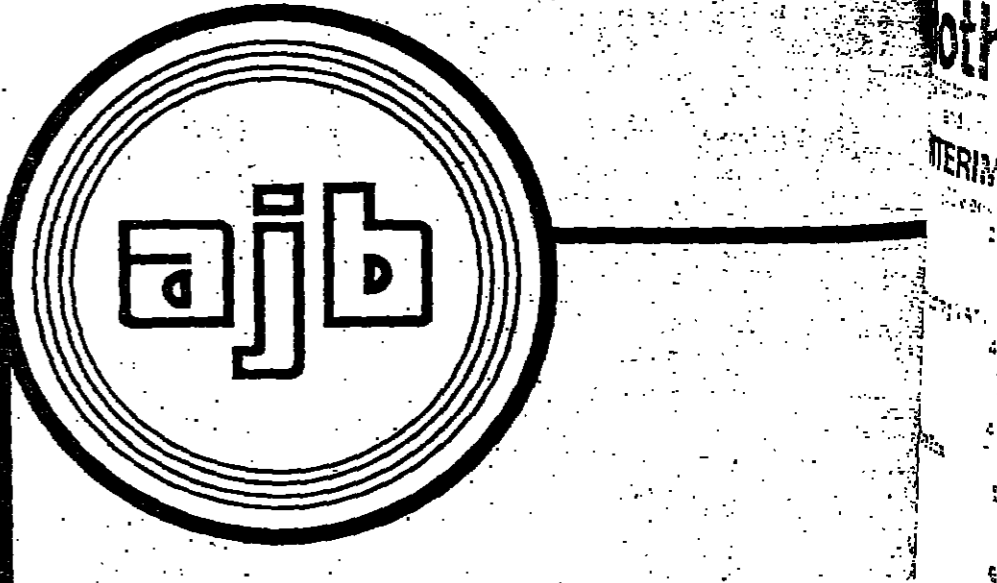
City Office Department,  
33 King Street, London EC2V 8EE  
Tel: 01-606 4060 Telex: 885557

**THE HONGKONG BANK GROUP**

**BASE RATES**

The Hongkong and Shanghai Banking Corporation and  
The British Bank of the Middle East  
announce that their base rate for lending is being reduced, with effect from 18th October, 1977,  
**To 6% per annum from 7% per annum**

حسابات مصرف





SUE NEWS AND  
Buckingham  
variable stock

MINING NEWS

# East Drie points to the way ahead

By KENNETH MARSTON, MINING EDITOR

**BEST** performance in the and East Rand Proprietary have of the September quarterly each received \$185 for their to be announced by the bullion last quarter against \$141 African gold producers previously.

This, coupled with higher costs, s from the Consolidated Gold group's young East Drie mine. A new record profit has been made before State aid, but ERPF has red thanks to further that it has fared rather better.

Harmony has handled a lower ore grade and has also suffered the adverse effects on gold output of the plant's rated capacity of 1,000 tons. At the same time old grade rose while costs reflect higher costs and a slightly reduced bullion price.

Sept. June Mar. 1977 1976 1975

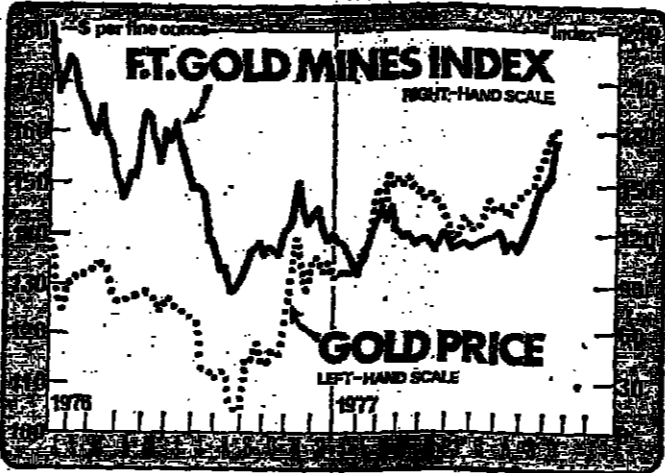
Erwin	2,000	2,000	2,000
Durban Deep	2,100	2,100	2,100
E. Rand P.R.	2,200	2,200	2,200
Harmony	2,300	2,300	2,300
Loss before State aid	2,400	2,400	2,400

## CANADA WARNS ON URANIUM

Canada has warned that its uranium will not be sold cheaply. Mr. Alastair Gillespie, the Minister of Energy, Mines and Resources, said that policy on exports will require that shipments go out at "the world price" or, in other words, the highest possible price for the producers.

He noted that long-term contracts "merely commit" Canadian producers "to deliver specified quantities of uranium at specific times."

But Mr. Gillespie added that since the deliveries are at particular dates, the Government believed that the price paid should be that in effect at the date of delivery.



The price of gold gained further strength yesterday, closing in London \$175 up at \$160 per ounce. This brought a renewed demand for South African gold shares. Prices advanced across the board to close at the day's highest levels, lifting the Gold Mines index by 12.6 to 174.0.

In Johannesburg, Mr. Robin Plumbidge, a deputy chairman of Gold Fields of South Africa, said that the bullion markets were in a very strong position and did not appear to be subject to major speculative activity. He reckoned that both investment and industrial demand were working together to bolster the price.

He hoped that world inflation worries and the weaker U.S. dollar did not produce strong speculative buying that might upset the present very firm underlying industrial demand. Ideally, he added, the mines and the jewellery trade would prefer a gently rising price.

He saw the threat of U.S. Treasury sales as the major uncertainty in the market but said that there did not seem to be the same sense of urgency to sell as when gold was seen as a competitor to the dollar. Any U.S. selling on a strong market, however, should be viewed as a stabilizing factor and as such would be welcomed by the industry, he concluded.

## CSR lifts its bid for AAR

THE STRUGGLE for control of Australia's large coal resources in Queensland has intensified with CSR lifting its takeover offer for the AAR mining group, reports our Sydney correspondent.

The Board of AAR, which has substantial coal interests, including the major stake in the \$430m (£507m) Ball Creek coking coal project, had resisted the earlier offer from CSR, the Conzinc Riotinto of Australia, the major local offshoot of Rio Tinto-Zinc of the U.K., disclosed last week that it wished to make a counter offer for AAR and had applied to the Foreign Investment Review Board for permission to go ahead with an offer.

CSR originally offered \$417.5 cash for each AAR share, two CSR shares plus \$425.6 cash for every five AAR shares, valuing the company at about \$441m.

CSR has now upgraded its bid to \$450 cash, or one CSR plus \$415.0 cash for each five AAR shares. CSR shares closed in Sydney yesterday at \$43.05, making the share and cash alternative worth \$42.42 and valuing AAR at more than \$450m.

CSR is also currently leading the New South Wales coal tender for the New South Wales coal fields. Coal and Allied Industries (CALL) in conjunction with local group Howard Smith, the Government has now given CALL permission to go ahead on the steepest quarterly working provision, that RTZ will work towards reducing its equity holding from the present 72.8 per cent to 49 per cent. RTZ has declared in the Barlow agreed but there is no rigid cap (which stands at 72.8 per cent) to gain from the current. It is now doubtful that the old prices) Durban Deep CALL offer will go ahead because

Current spot market prices for uranium oxide are more than \$61 (£23) a pound, but long-term contract prices are thought to be between \$20 and \$30 a pound.

# LOCKWOODS FOODS

## Further progress expected

- Salient points from the circulated statement of the Chairman, Mr. Philip S. Lockwood.
- An Ordinary Dividend of 3.68852 pence is proposed which is the maximum permitted.
  - Deferred taxation position reviewed in accordance with recent recommendations resulting in an additional transfer to capital and revenue reserves of £1,236,000 and an £81,000 lower provision for current taxation.
  - Total sales of canned fruits and vegetables expanded in spite of drought conditions. A long hot summer caused very substantial increase in sales and profitability of carbonated drinks.
  - U.K. production of canned meat below target, but should ultimately benefit from rationalization carried out over past two years. Improved production and profitability achieved by meat canning factory in Holland.
  - Our freezing activities are growing slowly while we gain experience of all aspects of the market which will prove of great benefit when we consider the time appropriate for expansion.
  - While trading conditions are competitive, I feel confident that with a larger production and throughput, we can expect further progress in the current year.

### GROUP SUMMARY OF RESULTS

	1977	1976
Profit before Taxation	£200	£200
Provision for Net Taxation	2,241	1,942
Profit after Taxation	1,146	1,013
Earnings per Ordinary Share	18.42p	15.55p

Copies of the full Report and Accounts may be obtained from the Secretary, Lockwoods Foods Limited, Long Sutton, Spalding, Lincs. PE12 9EQ.

hopsgate  
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Charles Bastin is head of Morgan Guaranty's personal banking office in London.

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(Layton) is confident...  
to meet any demand...  
Frank Austin, chairman...  
to stimulate trade...  
s produced new ranges...  
in furniture at competi...  
Initial deliveries have...  
been made to the retail...  
the chairman says that...  
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of the public, which is...  
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four operating subsidi...  
This was a reflection...  
of Indonesia and Mala...  
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## SUPARA ACCOUNTS DELAYED

The Directors of Supara Invest-  
ments regret that accounts cover-  
ing the year to March 31, 1977,  
will not be published within the  
period of six months from that  
date. This delay is once again  
occasioned primarily by the  
length of time taken to obtain  
final accounts from the company's  
onwards came without four operating subsidiaries in  
This was a reflection of Indonesia and Malaysia, they  
ation, increased un-...  
state.

# Mothercare

Everything for the mother-to-be and her baby...  
and children up to ten

## INTERIM RESULTS

(26 weeks - unaudited)

	24th Sept. 1977	25th Sept. 1976	Increase
	£'000	£'000	
Revenue (excluding VAT)	41,787	32,231	30%
Operating Profit	4,908	3,560	38%
Finance Profit	3,248	-	-
Operating Profit before Tax	49,943	35,791	40%
Operating Profit	5,882	4,720	25%
Finance Profit	574	396	45%
Operating Profit before Tax	6,428	5,116	26%
Operating Profit	3,075	2,457	25%
Finance Profit	310	221	41%
Operating Profit before Tax	3,385	2,678	26%
Operating Profit	3,038	2,458	25%

on UK audited profits has been calculated at 52% (1976 52%).

Directors have declared an interim dividend on the ordinary shares of 10-18% (1976 9-11%), which is equivalent to 15-42% (1976 14-02%). It will be paid together with the net deferred dividend for 1977 of 2625% (1976 —) on the 3rd January 1978 to shareholders on the register at 25th November 1977. The net dividend absorbed by both dividends is 3572.571 (1976 2580,468).

Accounts of the European subsidiaries are for 26 weeks to August 1977 (26 weeks to 28th August 1976) and those of Square Stores Inc. (USA) for 26 weeks to 2nd July 1977 (consolidated 1976).

Reports for the six months amounted to £4,726,000 (1976 £4,000) of which £2,951,000 (1976 £1,938,000) were allocated to the group companies overseas.

In six months the two Leeds stores were restyled into one larger bringing the total number in the UK to 185. Europe remained unchanged at 13 stores. In the USA one Mother-to-be store was closed as planned and 19 new Mothercare stores opened, bringing the total number of stores to 128.

(Adjusted for audit fees)

## Mothercare Limited

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Sweden • Switzerland • United Kingdom  
United States of America • West Germany











BIDS AND DEALS

Blagden agrees £5¼m. for W. W. Ball

Talks between Blagden and Noakes and W. W. Ball, first announced a month ago, have resulted in an agreed takeover bid by Blagden...

The Blagden share offer has been underwritten by stockbrokers J. and A. Scrimgeour, which has agreed to purchase 200,000 shares...

The cash alternative is to be held by holders who have given irrevocable undertakings. These shares have been placed by Scrimgeour...

Blagden and Noakes shares rose by 10c to 230p, with W. W. Ball up by 6p to 120p. Prior to the announcement in mid-September that talks were taking place...

U.K. LOSSES STILL HOLDING BACK LAFARGE

Heavy losses on the U.K. buildings materials side are continuing to hold back profits at the Lafarge Organisation...

In a statement accompanying the profit figures Mr. J. T. Kay, the chairman, said that "U.K. subsidiaries were unable to sustain the improvement in the second half of last year...

Results of Lafarge Fonds International, the French-based high alumina cement company which is owned 57 per cent. by Lafarge Organisation and 43 per cent. by...

Wood Bastow Board say 'Yes' to Celestion offer

REPRODUCED reproduction equipment and clothing manufacturer, Celestion Industries, is making an offer for Wood Bastow...

The bid, which values Wood Bastow at £11.9m, would give Celestion an excess of 150p, of which £14.1m would be paid in cash...

The directors of Wood Bastow have irrevocably accepted Celestion's offer for the 43.7 per cent. of W.B. shares...

Mr. Roy Hattersley, Prices and Consumer Protection Secretary, said that he had accepted the commercial sense of the merger...

Mr. Tony Lewis, chairman of Smith Bros., said yesterday: "The logic of the merger has not been doubted by the market...

SPINK TALKS MOVING SLOWLY

Merchant bankers, Lazard Brothers, continued yesterday what they were saying in Brno...

Mr. D. D. Prena, chairman of C. S. Spink and Son, confirmed yesterday that M & S had given its approval to the proposed merger...

STAR/GALA LINK-UP

The Star Group of Companies, Galia Distribution, has come together in an association which will have a major impact on the bearing of future West End release patterns...

As a first phase, starting October 20, the Gala Royal Cinema, Marble Arch, will come under the direct booking control of Star...

The second stage of the link-up will coincide with Star's re-development of the whole field of exhibition...

MONEY MARKET

Interest rates steady

Bank of England Minimum Lending Rate 5 per cent. (since October 14, 1977)

Short-term fixed period interest rates were fairly steady in quiet trading in the London money market yesterday...

Discount houses buying rates for three-month Treasury bills were unchanged at 4½-4¾ per cent. and give no indication that there is likely to be a further fall in Bank of England Minimum Lending Rate...

Day-to-day account rates were steady at 4½ per cent. and are expected to be more willing to sell Treasury bills than in previous weeks...

Table with columns: Oct. 17 1977, Sterling Certificate of deposit, Interbank, Local authority, Finance House Deposit, Company Deposits, Discount, Treasury Bills, etc.

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates normally three years 6½-7½ per cent. four years 6¾-7¾ per cent. five years 7-8 per cent. six years 7½-8½ per cent. seven years 8-9 per cent. eight years 8½-9½ per cent. nine years 9-10 per cent. ten years 9½-10½ per cent.

Approximate selling rates for one-month Treasury bills 4½ per cent. two-month 4½ per cent. three-month 4½ per cent. four-month 4½ per cent. five-month 4½ per cent. six-month 4½ per cent. seven-month 4½ per cent. eight-month 4½ per cent. nine-month 4½ per cent. ten-month 4½ per cent.

Share stakes

South Crofty: Mr. P. C. Buchanan, chairman, has been allotted 2,000 Ordinary shares; Mr. G. C. Peigilly, managing director, 10,000.

Hardy's and Hansons: British Ass. Co. has purchased a further 5,000 Ordinary shares, making a total holding of 404,800 (10.12 per cent.) Ordinary shares.

Metalrax (Hides): As part of the consideration for the purchase of Metalrax Industries by Barbebeco, Mr. E. C. Barbebeco has also disposed of 318,750 Ordinary shares.

Dawson International: As at October 10 Woodbourne Nominees held 2,878,237 Ordinary shares. Lorano: Mr. F. A. Butcher has sold 45,551 Ordinary shares.

Exchequer over Government disbursements. Payment of the amount left to the market on Friday, and the monthly special deposit adjustment.

Discount houses paid 4½ per cent. for secured call loans at the start, but the authorities may have overdone the amount of assistance given to the market...

In the interbank market overnight loans opened at 4½ per cent. and are expected to be 2-3 per cent. in late trading, before rising to 5 per cent. at the close.

Rates in the table below are nominal in some cases.

Table with columns: Oct. 17 1977, Sterling Certificate of deposit, Interbank, Local authority, Finance House Deposit, Company Deposits, Discount, Treasury Bills, etc.

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates normally three years 6½-7½ per cent. four years 6¾-7¾ per cent. five years 7-8 per cent. six years 7½-8½ per cent. seven years 8-9 per cent. eight years 8½-9½ per cent. nine years 9-10 per cent. ten years 9½-10½ per cent.

Approximate selling rates for one-month Treasury bills 4½ per cent. two-month 4½ per cent. three-month 4½ per cent. four-month 4½ per cent. five-month 4½ per cent. six-month 4½ per cent. seven-month 4½ per cent. eight-month 4½ per cent. nine-month 4½ per cent. ten-month 4½ per cent.

Share stakes

for the capital of Pawson, Quilcrow transferred on October 14 Pawson shares as follows: Mr. S. J. Woolfitt 611,023 shares (34.82 per cent.); Mr. M. S. Binns 120,000 (8.88 per cent.); Mr. R. G. Henton 100,000 (7.37 per cent.); Mr. C. P. Fraser 50,000 (2.88 per cent.); Mr. Woolfitt owns a further 623,328 shares making his holding 623,328 (35.63 per cent.); Mr. Binns, Mr. Henton and Mr. Fraser have no other shares in Pawson. Quilcrow now holds 40,000 Pawson shares (2.28 per cent.).

Mr. S. J. Woolfitt, Chairman, said that the Board's opinion, Pawson remains a close company. Stone Dams Holdings: Company in which Mr. W. C. Yaw, director, is deemed to be interested, bought 50,000 share on October 10 and 50,000 on October 11 making total holding 1,870,000 shares.

Interim Dividend Announcement and Statement for the Half Year Ended 30th June 1977

Table with columns: NEW BUSINESS AND PREMIUM INCOME FOR THE HALF YEAR (estimated and unaudited), 1st half 1977, 2nd half 1976, 1st half 1976.

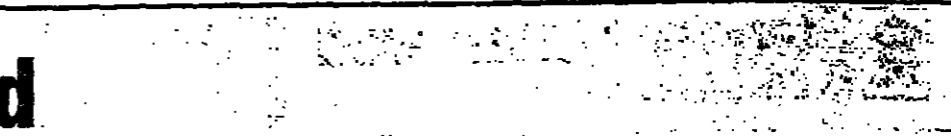
As pointed out in the Offer for Sale document dated 15th July, 1976, new annual premiums for the first half of 1976 included the exceptionally large sales of a particular type of policy on which, under the tax laws in force until 31st March, 1976, very low tax cover and accordingly a relatively high allocation of units could be offered.

The increasing emphasis on the sale of life assurance protection is reflected in the large increase in new sums assured during the first half of 1977.

Current Business and Trends: Since 30th June, new business has been written significantly ahead of business written in the corresponding months of 1976. Particularly in view of the interest being shown in pension plans in advance of December 7th, the date when firms have to decide whether to contract in or out of the new State Scheme, this trend is expected to continue for the balance of the year.

Policy on Dividend Cover: As a newly quoted company, the Company is not subject to the dividend restraint rules in respect of the financial year 1977. The total dividends for 1976 were covered 1.75 times by the amount transferred from the Life Fund to Profit and Loss Account.

Interim Dividend: In the meantime, an interim dividend of 5.4p per share, net of tax credit (1976-4.5p per share) will be paid on 9th December 1977 to all shareholders on the register of members at the close of business on 11th November 1977.



Hambro Life Assurance, 7 Old Park Lane, London W1Y 3LJ, Tel: 01-499 6031

Rand Mines Limited Gold Mining Company and Colliery Reports for the Quarter ended 30th September 1977

(All Companies incorporated in the Republic of South Africa) Office of the Secretaries of the undermentioned companies in the United Kingdom: 40, Holborn Viaduct, London EC1P 1AJ.

HARMONY GOLD MINING COMPANY LIMITED

ISSUED CAPITAL: R11,442,326 IN 24,000,000 SHARES OF 50 CENTS EACH. REPORT OF THE DIRECTORS FOR THE QUARTER ENDED 30th SEPTEMBER, 1977.

Table with columns: One milled ton, Gold produced, Revenue, Profit, etc.

Quarter ended 30.9.1977: 7501 metres advanced on Reef, 2917 metres milled, 1241 tonnes of gold, 1438 ounces of gold.

Dividend: Dividend No. 42 of 25 cents per share was declared on 19th September, 1977 payable on or about 1st November, 1977 to shareholders registered on 30th September, 1977.

There are commitments for capital expenditure amounting to R2,401,000. The estimated total capital expenditure for the remainder of the current financial year is R7.2 million.

There are commitments for capital expenditure amounting to R2,401,000. The estimated total capital expenditure for the remainder of the current financial year is R7.2 million.

EAST RAND PROPRIETARY MINES, LIMITED

ISSUED CAPITAL: R1,060,000 IN 21,200,000 SHARES OF 50 CENTS EACH. REPORT OF THE DIRECTORS FOR THE QUARTER ENDED 30th SEPTEMBER, 1977.

Table with columns: Gold milled, Gold produced, Revenue, Profit, etc.

Quarter ended 30.9.1977: 4719 metres advanced on Reef, 2917 metres milled, 1241 tonnes of gold, 1438 ounces of gold.

Dividend: Dividend No. 42 of 25 cents per share was declared on 19th September, 1977 payable on or about 1st November, 1977 to shareholders registered on 30th September, 1977.

There are commitments for capital expenditure amounting to R2,401,000. The estimated total capital expenditure for the remainder of the current financial year is R7.2 million.

ELYVOORUITZICHT GOLD MINING COMPANY, LIMITED

ISSUED CAPITAL: R5,000,000 IN 24,000,000 SHARES OF 25 CENTS EACH. REPORT OF THE DIRECTORS FOR THE QUARTER ENDED 30th SEPTEMBER, 1977.

Table with columns: One milled ton, Gold produced, Revenue, Profit, etc.

Quarter ended 30.9.1977: 4140 metres advanced on Reef, 2917 metres milled, 1241 tonnes of gold, 1438 ounces of gold.

Dividend: Dividend No. 42 of 25 cents per share was declared on 19th September, 1977 payable on or about 1st November, 1977 to shareholders registered on 30th September, 1977.

There are commitments for capital expenditure amounting to R2,401,000. The estimated total capital expenditure for the remainder of the current financial year is R7.2 million.

There are commitments for capital expenditure amounting to R2,401,000. The estimated total capital expenditure for the remainder of the current financial year is R7.2 million.

DURBAN ROODEPOORT DEEP, LIMITED

ISSUED CAPITAL: R2,325,000 IN SHARES OF R1.00 EACH. REPORT OF THE DIRECTORS FOR THE QUARTER ENDED 30th SEPTEMBER, 1977.

Table with columns: Gold milled, Gold produced, Revenue, Profit, etc.

Quarter ended 30.9.1977: 5444 metres advanced on Reef, 2917 metres milled, 1241 tonnes of gold, 1438 ounces of gold.

Dividend: Dividend No. 142 of 30 cents per share was declared on 13th August, 1977 payable on or about 1st November, 1977 to shareholders registered on 2nd September, 1977.

There are commitments for capital expenditure amounting to R18,000. The estimated total capital expenditure for the remainder of the current financial year is R175,000.

WELGEDACHT EXPLORATION COMPANY, LIMITED

ISSUED CAPITAL: R4,000,000 IN SHARES OF 40 CENTS EACH. REPORT OF THE DIRECTORS FOR THE QUARTER ENDED 30th SEPTEMBER, 1977.

Table with columns: One milled ton, Gold produced, Revenue, Profit, etc.

Quarter ended 30.9.1977: 3871 metres advanced on Reef, 2917 metres milled, 1241 tonnes of gold, 1438 ounces of gold.

Dividend: Dividend No. 142 of 30 cents per share was declared on 13th August, 1977 payable on or about 1st November, 1977 to shareholders registered on 2nd September, 1977.

There are commitments for capital expenditure amounting to R18,000. The estimated total capital expenditure for the remainder of the current financial year is R175,000.

WITBANK COLLIERY, LIMITED

ISSUED CAPITAL: R12,572,500 IN ORDINARY SHARES OF R2 EACH. REPORT OF THE DIRECTORS FOR THE QUARTER ENDED 30th SEPTEMBER, 1977.

Table with columns: Tons sold, Working profit, Revenue, Profit, etc.

Quarter ended 30.9.1977: 5444 metres advanced on Reef, 2917 metres milled, 1241 tonnes of gold, 1438 ounces of gold.

Dividend: Dividend No. 142 of 30 cents per share was declared on 13th August, 1977 payable on or about 1st November, 1977 to shareholders registered on 2nd September, 1977.

There are commitments for capital expenditure amounting to R18,000. The estimated total capital expenditure for the remainder of the current financial year is R175,000.



# Yorkshire Bank Base Rate

With effect from 18th October 1977  
Base Rate will be  
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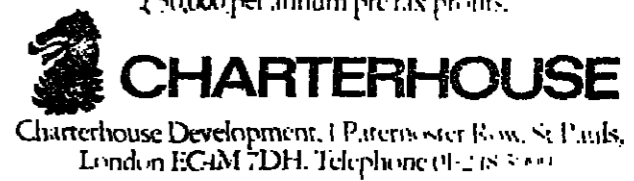
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## FINANCIAL AND COMPANY NEWS

### NESTLE'S BID FOR ALCON

# A move into pharmaceuticals

BY JOHN WICKS, IN GENEVA

THE PROPOSED take-over of Alcon Laboratories by the Nestlé group marks the Swiss company's entry into the pharmaceutical industry. Apart from a very small proprietary medicine operation run by the French toiletries company L'Oréal, in which Nestlé holds a stake, the group has hitherto never been associated with pharmaceutical production as such.

It is, however, well established in the allied sector of dietetic products and baby foods. Last year, sales of these accounted for 7.4 per cent of the Sw.Frs.19,068m. group turnover. Research work in this field has been centred particularly on the development of infant foods to meet specific physiological requirements. Nutritional development work is also on hand in the field of alternative vegetable proteins.

As well as possible cross-links between existing products—for example, in the field of paediatrics—the Alcon take-over would advance Nestlé's policy of diversification in its product mix. The Alcon ethical-pharmaceutical programme would offer possibilities in Nestlé's use of marketing know-how, whereby the Swiss company seems likely to expand the Alcon range should the bid be made and prove successful.

Even more important is the Swiss group's attempt to effect a satisfactory balance in geographical diversification between industrialised countries and the Third World. In this connection, Nestlé has long shown a considerable interest in the Americas, where 85 per cent of group turnover arises.

The U.S. in particular has attracted Nestlé capital in recent years. There was the acquisition of the U.S. food company Libby, McNeill and Libby, which—along with the Nestlé company, of White Plains—was recently taken over by the specially created holding company Nestlé Enterprises.

Another group company is the Stouffer Corporation, which is expanding rapidly in the restaurant business. Last year, Nestlé also built up capacities in established sectors in the U.S., as in the production of chocolate and cake mixtures.

The attraction of the U.S. has not been noticeably dimmed by the anti-trust case which went on for a year in the case of the acquisition of control over Libby, or the current anti-trust investigations concerning Stouffer's share of the deep-frozen food market.

Alcon offers various attractions to a bidder—both through its specialised production programme and because over the past five years turnover has improved at an annual rate of 20 per cent, with income rising by 23 per cent a year.

Stewart Fleming adds 'from New York: Although one of the smaller ethical pharmaceutical companies in the U.S., Alcon Laboratories, which is quoted on the New York Stock Exchange, has one of the best growth records over the past decade, and has been one of the most highly-rated stocks on Wall Street in what has been a relatively depressed drug company sector.

About 10 days ago, the company announced that it had received expressions of interest from corporations possibly interested in acquiring the business, and at that time its shares were selling at just over \$20 each. On Friday, the stock had moved up to close at \$30, and the Nestlé proposed offer of \$32 puts the shares on a prospective earnings multiple of 24 on next year's forecast net profit. This compares with historic earnings multiples of between 8 and 15 for most of the bigger drug concerns such as Eli Lilly—currently selling at 11 times earnings—and Pfizer, also selling at 11 times earnings.

In the company's last financial year, ended April 1977, it reported sales of \$81.6m. (\$68.3m. in 1976) and net income of \$9.0m. (\$6.5m.).

A decade ago, in 1968, the company's sales revenues were \$13.2m. and net income \$1.3m.

Mr. H. O. Kologe, the company's treasurer, said today that 43 per cent of the company's revenues came from overseas sales in countries where Alcon either has manufacturing facilities or to which it exports its manufacturing plants. In its manufacturing plants, Alcon's main competitor is another small pharmaceutical company, and France to Argentina and the Philippines.

Mr. Kologe describes the company as a specialty drug house, and about 70 per cent of its sales are in drugs for the eye. Unlike many of the major ethical pharmaceutical companies, however, Alcon has not been heavily dependent on a single product line for its growth. Its main ophthalmological line is a drug called Carpine, which is used in the treatment of Glaucoma, and this only accounts for about 10 per cent of sales.

The company was founded some 30 years ago by Mr. William C. Conner, who is now chairman, and Mr. Robert Alexander, a director. Between them they control just under 10 per cent of the stock.

Commenting on the decision to approve the proposed deal, Mr. Kologe said that Nestlé would be able to supply capital to help with the expansion of the business both in the U.S. and overseas. He said that the management of Alcon was not disturbed by the proposed deal, one of whom are salesmen. Nestlé does not know the drug industry and one of the bases of the proposal is that the present management has agreed to stay on.

The company has a large staff of some 4,000 employees about one third of whom are salesmen. The other main lines of the company's business are drugs for either has manufacturing facilities or to which it exports its manufacturing plants. In its manufacturing plants, Alcon's main competitor is another small pharmaceutical company, and France to Argentina and the Philippines.

### AMERICAN NEWS

## \$20m. rise at Philip Morris

AN INCREASE of nearly \$20m. in third quarter net income is reported by Philip Morris Inc. On sales up from \$1.1bn. to \$1.4bn., net income rose from \$74.5m. to \$94.1m., or from \$1.25 per share to \$1.57.

This result lifts nine month net income from \$188.8m., or \$3.34 per share, to \$250.7m., to \$4.19 per share. Sales were ahead from \$3.1bn. to \$3.8bn.

The company said it is raising its capital spending plans for the five-year period 1977 to 1981 to more than \$1.6bn. Outlays for the period had previously been estimated at over \$1.25bn.

Philip Morris said, however, it still expects 1977 capital spending to be about \$275m., in line with a previous estimate. In 1976, the company spent \$230m. on capital projects.

It said the increase in the five-year estimate is based on expectations of continuing substantial growth in both cigarette and beer sales, and that it is providing additional machinery and facilities.

In the 1976 fourth quarter, Du Pont earned \$1.37 a share, bringing the full year net earnings to \$9.30 a share.

Mr. Shapiro said that sales of chemicals, plastics and specialty products in the third quarter were 15 per cent above year ago levels and 3 per cent below the record pace of the previous quarter, despite the normal seasonal slowdown.

About half of the year-to-year increase resulted from higher selling prices and half from higher physical volume. Chemicals, plastics and specialty products accounted for 68 per cent of total sales during the quarter.

Net earnings in the first nine months of the year were 16.4 per cent higher than a year earlier, at \$426m., or \$8.64 a share, compared with \$366m., or \$7.43 a share, in 1976.

Profits soar at Du Pont

WILMINGTON, Oct. 17.

DU PONT Company net profits rose 41 per cent in the third quarter, to \$143m., or \$2.91 a share, from \$101m., or \$2.03 a share, in the same period of 1976—with sales increasing to \$2.4bn. from \$2.1bn., agencies report.

The results, according to Mr. Irving S. Shapiro, the company's chairman, "met our expectations, and reflect the continued expansion of the U.S. economy, strong worldwide sales of our CPS Products—chemicals, plastics and specialties—and domestic fibres sales well ahead of last year's levels."

But "depressed textile markets in Europe," he said, "caused our fibres business there to continue to operate at a loss."

Du Pont's business in the third quarter was "traditionally slower because of seasonal factors," he added.

The company believes that the fourth quarter will be favourable. Its view of the U.S. economy remained strong, though the international outlook was less encouraging.

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### THE BOUSSAC EMPIRE

## Another rescue plan for CITF

BY DAVID CURRY

THE FRENCH GOVERNMENT is preparing a new package of financial aid for the textile empire controlled by M. Marcel Boussac. Without new assistance, the group's main asset, the bankrupted Citif, which is an important employer in the already depressed textile area of Eastern France, will be only a matter of time.

The need for a new rescue has been made urgent by the continued financial losses of the group now controlled by M. Boussac's nephew Jean-Claude, by its poor order levels, and the imminence of substantial loan repayments. The group has only summer by the defect of social security charges by the state and a steady drip-feed of loans.

The immediate cash problem of the concern is being met by the purchase by the state of a 150-acre site west of Paris owned by Citif, the company's founder M. Marcel Boussac. It is being suggested by the concern that the price, to be agreed, could be around Frs.80m. If this is near the mark, it may well raise the morale of the group since it is well above previous estimates of its worth, although the possibility of a state purchase has frequently been evoked.

The proceeds from the sale of Les Haras de Jardy are to be totally invested in the main group, its factories making cloth, its clothing, and its better shape, and M. Boussac would like to shift labour towards this sector.

The group recently realised some Frs.21m. from the sale of shares in the diversified group. These shares had themselves served as collateral for debts to the tune of some Frs.11m., although the banks agreed to release some Frs.17m. to the group. However, a number of loans reach maturity in the next few months, including a Frs.20m. slice of FDES money.

A recovery plan was put together two years ago, after M. Jean-Claude Boussac took over following the abrupt resignation of M. Claude Boussac, the man who had been appointed by M. Boussac to take over from him. M. Sarre found himself unable to manage effectively across the almost feudal lines of authority linking M. Boussac to the five holding companies and 80-odd subsidiaries which form the group.

This recovery programme was geared towards heavy investment in modernising facilities at its weaving and spinning mills, which are the weakest part of the group. Its factories making cloth, its clothing, and its better shape, and M. Boussac would like to shift labour towards this sector.

The measures taken have arrested the decline of the group's financial position exacerbated by the general textile crisis. Eight months ago, the group's turnover was around Frs.450m., which gives the concern the hope of realising the hoped-for Frs.500m. plus this year, in sales which have been running at around Frs.10m. a month. The group is locked in a vicious circle of increasing losses, changing inadequate sales, and part-recovery which keep the worry from the door for increasing shorter periods.

It remains to be seen whether the new rescue will involve installation of a fully-fledged new management. This course of action has previously been systematically frustrated, but sound structural spring-cleaning of the group is held to be essential to the success of recovery.

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Alcon Australia 5pc 1980	99 1/2	Sweden (K'rona) 5pc 1987	98	ETH 5pc 1984	102 1/2
AMEV 5pc 1987	99 1/2	United States 5pc 1980	99 1/2	Grand 4pc 1987	102 1/2
Australia 5pc 1980	99 1/2	Volvo 5pc 1987 March	98 1/2	Harco 4pc 1987	102 1/2
Australia N. and S. 5pc	100 1/2			ICI 4pc 1987	102 1/2
Bovater 5pc 1982	100 1/2			Monreal 5pc 1987	102 1/2
Canadian N. W. 5pc '86	98 1/2			Novartis 4pc 1987	102 1/2
Credit National 5pc 1986	98 1/2			Novartis 4pc 1987	102 1/2
Denmark 5pc 1984	98 1/2			Novartis 4pc 1987	102 1/2
ECS 5pc 1985	98 1/2			Novartis 4pc 1987	102 1/2
ECS 5pc 1987	98 1/2			Novartis 4pc 1987	102 1/2
EIB 5pc 1987	98 1/2			Novartis 4pc 1987	102 1/2
ESM 5pc 1989	98 1/2			Novartis 4pc 1987	102 1/2
Ericsson 5pc 1989	98 1/2			Novartis 4pc 1987	102 1/2
Esso 5pc 1988	98 1/2			Novartis 4pc 1987	102 1/2
Gl. Lakes Paper 5pc '84	98 1/2			Novartis 4pc 1987	102 1/2
Hannover 5pc 1982	98 1/2			Novartis 4pc 1987	102 1/2
Hessische 5pc 1982	98 1/2			Novartis 4pc 1987	102 1/2
ICI 5pc 1987	98 1/2			Novartis 4pc 1987	102 1/2
ISB Canada 5pc 1986	98 1/2			Novartis 4pc 1987	102 1/2
Macmillan 5pc 1985	98 1/2			Novartis 4pc 1987	102 1/2
Messier 5pc 1981	98 1/2			Novartis 4pc 1987	102 1/2
Nichols 5pc 1983	98 1/2			Novartis 4pc 1987	102 1/2
Midland Int. 5pc 1982	98 1/2			Novartis 4pc 1987	102 1/2
Nat. Coal Board 5pc 1985	98 1/2			Novartis 4pc 1987	102 1/2
Nat. Westminster 5pc 1980	98 1/2			Novartis 4pc 1987	102 1/2
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Norway 5pc 1990	98 1/2			Novartis 4pc 1987	102 1/2
Norway 5pc 1991	98 1/2			Novartis 4pc 1987	102 1/2
Norway 5pc 1992	98 1/2			Novartis 4pc 1987	102 1/2
Norway 5pc 1993	98 1/2			Novartis 4pc 1987	102 1/2
Norway 5pc 1994	98 1/2			Novartis 4pc 1987	102 1/2
Norway 5pc 1995	98 1/2			Novartis 4pc 1987	102 1/2
Norway 5pc 1996	98 1/2			Novartis 4pc 1987	102 1/2
Norway 5pc 1997	98 1/2			Novartis 4pc 1987	102 1/2

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INTERNATIONAL FINANCIAL AND COMPANY NEWS

THE MONTEFIBRE AFFAIR

Italy's Prime Minister intervenes

BY PAUL BETTS

ITALIAN Prime Minister, national employers' confederation, Giulio Andreotti, has intervened in what could have already called a general strike against the Montedison group this week, and a meeting to discuss developments so far in the growing financial crisis facing the country's major firms.

Prime Minister's intervention follows the controversial sale of Montedison's subsidiary of the Montedison group to private foreign interests, at least at present levels, at a time when unemployment is increasing as a consequence of the continuing stagnation of industrial production.

Andreotti is obviously averted a major confrontation with the unions, which could threaten the Government's so-called "mini" pact signed earlier this year by the unions and the

of the state minerals group, Egam, earlier this year, which first sparked off the current crisis in the Italian state sector, its effects on employment have only temporarily been patched by the decision to hand over former Egam subsidiaries to the two giant state holding companies, ENI and IRI.

The Montefibre affair has now assumed a symbolic quality. The threatened 8,000 redundancies will hit, in particular, the northern region of Piedmont, where most of Montefibre's plants are concentrated.

At the same time, the Montefibre decision could become a precedent, and the unions are aware that it could spread to other ailing sectors, like among others, the Alfa-Romeo plant in Naples and the Fiat's southern steel works of Magnoli, with serious repercussions on employment.

Daimler-Benz hopes to hold profits

By Guy Hawtin

FRANKFURT, Oct. 17. DAIMLER-BENZ, in its interim report on the opening nine months of the year, complains that rising labour and raw material costs have hit profits. The pressure has only been partially eased by price rises introduced last February.

During the current business year, however, the group again hopes to achieve similar profits to those of 1976 as a result of the strong increase in turnover in the private car sector. Total group sales during the nine months have increased by 9 per cent to DM18.8bn. (\$4,675bn.).

Complaints from Daimler-Benz are not likely to be met with much sympathy. The concern's main problem is that of meeting an overwhelming demand rather than squeezing sales out of an unresponsive market.

Arbed loses £34m. and warns on second half

BY DAVID SUCHAN

LUXEMBOURG, Oct. 17.

ARBED, Luxembourg's biggest single employer and one of the top 10 European steel makers, has announced a first half loss of Frs.Lux.2.1bn. (\$34m.) against a Frs.Lux.1.04bn. loss in the same period of 1976.

Despite these accumulated losses, and unlike most European steel companies which have drastically slowed down their investment plans, Arbed is actually stepping up its investment. The company's chairman, M. Emmanuel Tesch, said: "We are obliged to invest massively to ensure our future competitiveness."

Arbed's crude steel production in the first nine months of 1977 fell 8 per cent, to 2,85m. tonnes, though output of rolled products only fell by 4.9 per cent, reflecting the slightly better situation in this end of the steel market.

Arbed has just commissioned the American consultants Arthur D. Little to search for possible U.S. and Japanese partners to set up engineering joint ventures in Luxembourg. This in a sense is a counterpart of some of the Arbed group's recent overseas activities: Arbed is about to set up a joint venture in South Korea, making steel cord.

First half strength at carpenter

By M. Forth

SYDNEY, Oct. 17. CARPENTER Holdings, a diversified industrial group with interests in illuminated signs, wines, insurance, finance, property, island trading, and also a large, boosted earnings of 21 per cent to \$411.5m. year on year.

The profit the directors made a special provision of a for contingencies in its activities. This is added to the \$41.5m. provided because of the state of the property market.

led to better results in New Guinea, but Fiji did not to the same extent, because of reduced demand for sugar.

SCANDINAVIAN NEWS Earnings fall at PK Banken

BY WILLIAM DUFFLORCE

STOCKHOLM, Oct. 17.

PK BANKEN, the State-owned commercial bank reports a 7 per cent fall in earnings to Kr.309m. (\$36.4m.) for the first eight months. Mr. Bertil Danielsson, the managing director, anticipates 1977 earnings to fall within the Kr.470m.-Kr.490m. bracket or only slightly lower than the Kr.490m. recorded last year.

The relative improvement expected in the last four months is due to the fact that the more stringent "official credit" policy and the rise in the discount rate had already started to affect the bank's performance during the last four months of 1976.

ing director, Mr. Björn Wahlström, expects the loss for the whole year to be around Kr.400m. (\$47m.). Two per cent of the fall in turnover stemmed from lower prices, and seven per cent from the reduction in volume. Prices fell significantly in an attempt to unload its stocks of unsold semi-fabrics, and sales by the end of the year are scheduled to exceed Kr.900m.

The "eight-month loss" of Kr.364m. includes state stock grants of Kr.42m. but excludes estimated stock appreciation of Frs.55m., and was struck after planned depreciation. It compares with a loss of Kr.300m. in the first eight months of 1976.

Concern at Oy Wartsila

BY LANCE KEYWORTH

HELSINKI, Oct. 17.

OY WARTSILA AB's interim report for the period ending August, 1977, shows an increase in total turnover of 16 per cent to F.Mk.1.1bn. (some £146m.), compared with the first eight months of 1976. The increase in the shipbuilding division was 22 per cent to F.Mk.745.5m. due to the delivery of five ships during this period.

Mr. Tankah Horn, managing director of Wartsila, said in presenting the interim report: "For a company like Wartsila, adaptation to the present and continuing crisis does not necessarily mean a crisis. We are sufficiently solvent and versatile company to manage even during bad times."

KODE audited results for the 28 weeks to 15th July 1977. Table with columns for 28 weeks to 15th July 1977 and 28 weeks to 16th July 1976. Rows include Income Sales, Profit before tax, Profit after tax, Dividends, and Earnings per Share. Highlights from the Statement to Shareholders by Chairman, Mr. W. D. Tudor.

Another setback in retailing

BY RICHARD ROLFE

JOHANNESBURG, Oct. 17.

THE NOW-FAMILIAR story of falling profit margins continues to afflict South African retailers, with Scotts Stores, one of the most progressive, showing a sharp fall in its trading for the six months to end-August.

Turnover rose from R24.4m. to R35.8m., a jump which included R10m. from four acquisitions raised in the latter period. While pre-tax profit held up at R1.6m., margins narrowed from 6.3 per cent to 4.4 per cent, which is typical of the pressure retailers have generally been feeling.

EUROBONDS Dollar sector moves up

BY MARY CAMPBELL

PRICES IN THE dollar sector

According to the report, group capital investment in 1977 is expected to total DM1bn. This follows DM850m. in 1976 and DM1bn. in 1975. The group's current manufacturing capacity amounts to 370,000 vehicles a year, but the new range of estate cars will up this to 430,000 units a year.

With tax taking a larger slice of profits, earnings per share are down from 43.1 cents to 38.6 cents for the half year, but the R86.5m. dividend has been held at 17 cents out of 125 cents earnings, and the dividend has been raised from 11 cents to 20 cents.

The Board says that a number of its shares experienced severe resistance over the six months, most notably cash chains, selling to the black population where unemployment is blamed for poor trading. It adds that as unemployment "is not expected to diminish," on trading in the short term.

Steel Community 12-year issue is quoted as much as three-quarters of a point above its low point on Friday, the Australians are up a quarter of a point, undoubtedly some retail buying - one dealer even said that the Swiss had started to move back month rate closed at 7 1/2, down from 7 1/4, down from 7 1/4.

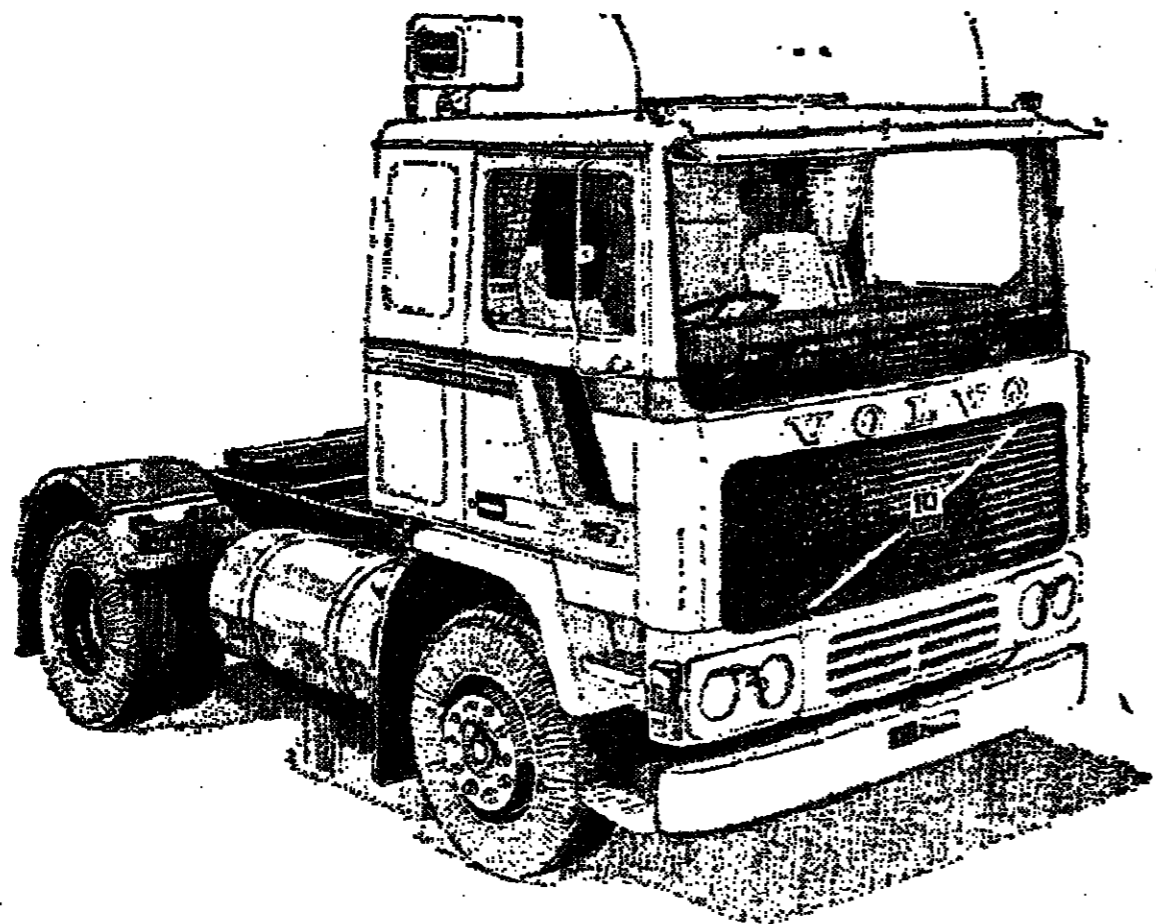
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ALUMINIUM

# The case for expansion

By ROY HODSON



## The new Volvos. A liability—or reliability.

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THE ALUMINIUM companies are trying to persuade the power authorities and the Department of Energy that a new deal for heavy electricity users will be in Britain's best interests.

The argument is being put forward in a series of talks between the individual aluminium companies and the authorities. The aluminium industry has no intention of giving the impression that it might be trying to act in collusion to secure a new power costs arrangement.

But the various company cases can be distilled into one simple message — that the time is ripe for a major expansion of the British aluminium smelting industry as long as a special price for electricity can be arranged.

World demand for aluminium has made a surprisingly good recovery since the 1975 slump. Some 500,000 tonnes of new smelting capacity will be required every year in the foreseeable future to cope with additional demand for the metal if shortages of aluminium are to be avoided.

That forecast means that four big new smelters will have to be built every year somewhere in the world. Electricity costs are crucial in the processing of reducing bauxite to aluminium by the Hall electrolysis process. Thus the most recent smelter construction schemes have been concentrated upon parts of the world such as South America, Canada, and the Middle East, where extremely cheap power could be obtained from hydro-electric or natural gas plants.

But the major international companies in aluminium also recognise the desirability of having some smelting capacity near their important European markets. It is most unlikely that any company would find it economic to build a new smelter on a greenfield European site in preference to a site alongside really cheap power somewhere else in the world. What does attract the companies is the prospect of expanding some of their European smelting at relatively low capital costs.

Britain has only recently moved into the big-time aluminium smelting business with three smelters completed in the early 1970s. They were provided with cheap power

under special and highly complicated arrangements made by the Wilson Government.

After many teething troubles all three smelters are now running well and at times are being worked at or near the limits of their production capacity in order to meet demand.

British Aluminium is operating the Invergordon smelter and is working up towards producing 100,000 tonnes a year of primary aluminium as the market strengthens. Two smaller and older British Aluminium smelters in the Highlands produce a total of about 40,000 tonnes a year on average.

The Alcan smelter at Lynemouth, Northumberland, which is linked to its own coal-fired private power station, has a rated annual output of 120,000 tonnes.

The third big British smelter is at Holyhead, Anglesey, and is run by Anglesey Aluminium, a company which is owned jointly by Kaiser Aluminium (two-thirds) and Rio Tinto-Zinc (one-third). Recently the smelter has been producing at a rate of 110,000 tonnes a year against a designed capacity of 100,000 tonnes a year. Its managers expect to be able to squeeze out another 2 per cent. increase in production but they say that will be the limit.

### Exporter

Britain is still a net importer of primary aluminium, having to buy about 100,000 tonnes from overseas smelters annually at a cost of some £60m. That shortfall could be made up entirely and the country might even become a net exporter of aluminium if the capacity of each of the three main smelters were increased by up to 50 per cent.

The capital costs of such an expansion are attractive. All three smelters could be enlarged very cheaply by installing new pot-lines—the electrolysis process takes place in a series of containers called pots—and utilising the existing infrastructure and ancillary equipment of the plants. British Aluminium estimates that it could raise capacity at Invergordon, for instance, by 20,000 tonnes a year for capital expenditure of not more than £10m. to £12m. The extra pot lines would provide 100 new jobs.

By comparison a new aluminium smelter built in Britain on a greenfield site to produce 120,000 tonnes of metal a year would cost about £200m. at today's prices. All the companies have ruled out any possibility of building a new greenfield smelter in Britain.

Alcan has the prospect of expansion at Lynemouth to help cope with the expected aluminium shortage in the 1980s confidently in mind.

The Lynemouth smelter power station has assured supplies of coal for present needs from a colliery next door to the power station. The coal is supplied by the National Coal Board at a fixed price well below ruling market prices. It was the Government-backed coal contract which persuaded Alcan to build the smelter in the first place.

Further expansion at Lynemouth, however, will depend upon Alcan being able to secure cheap electricity from the national grid.

Both Anglesey Aluminium and British Aluminium are having conversations with the power authorities to explore chances of new supplies of cheap electricity for smelter expansions.

The companies have two arguments for being sold electricity at special rates.

One is that an expansion of aluminium smelting must be good for Britain because it will help the balance of payments and provide new jobs during the present period of high unemployment.

Aluminium smelters take large amounts of power round-the-clock and therefore are reliable and captive customers for the new base-load power stations being brought into commission.

At present the electricity authorities take a somewhat jaundiced view of the aluminium companies' requests for special power rates. "Once bitten, twice shy," said one senior man in the power generation industry. He was referring to the deals arranged in 1960 to provide cheap electricity to the Anglesey and Invergordon smelters. Both deals hinged upon the national generation costs of nuclear power stations not built at that time. One of the two stations—

Dungeness B—is still not in commission and the arrangements have been costly both to the Government and to the Central Electricity Generating Board.

The electricity prices being paid by Anglesey and Invergordon under those deals are a close-guarded secret. Clearly they are far below the levels paid by industry in general. The aluminium companies do not seriously expect such good deals to be repeated the second time around. But they do believe they have a serious case for some special consideration.

What the aluminium companies want for their expansions—and what the electricity authorities are so far unwilling to give—is a special tranche of continuous power from the best base-load power stations at about the European rate of 9-10 mills, the unit the industry uses to pay for its electricity, representing one-tenth of a U.S. cent per kilowatt hour.

The electricity authorities oppose such a deal because, in their view, if the cheapest power generated in Britain were sold on a cost-plus basis, to aluminium smelters all other consumers would automatically be robbed of their shares of that cheap power.

There is a broader argument that the British power authorities should re-examine British electricity pricing structures with a view to giving a better deal to the big users of electricity including the steel industry, the aluminium smelting industry, and the chemicals industry.

Meanwhile, authorities outside the power industry are becoming interested in the possibilities for expanding the aluminium industry in Britain. It would suit the Welsh Office to have more pot-lines at the Anglesey smelter with the provision of more jobs. The percentage of unemployed on the island persists in double figures.

In Scotland the Highland and Islands Development Board sees much sense in an expansion of the Invergordon smelter. At present some of the cheap hydro power from the North of Scotland Hydro Electric Board is exported south. A case is being developed for Highlands power being retained wherever possible to encourage the development of local activities.

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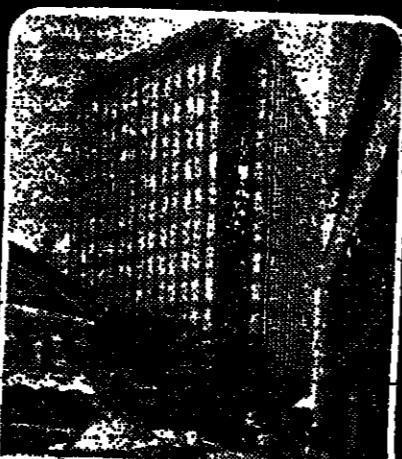
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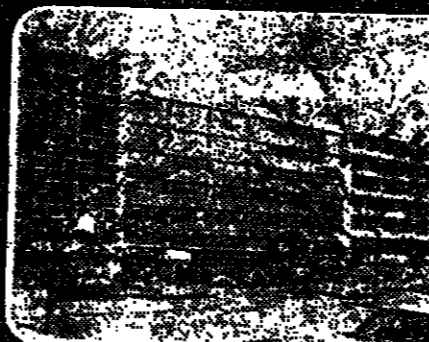
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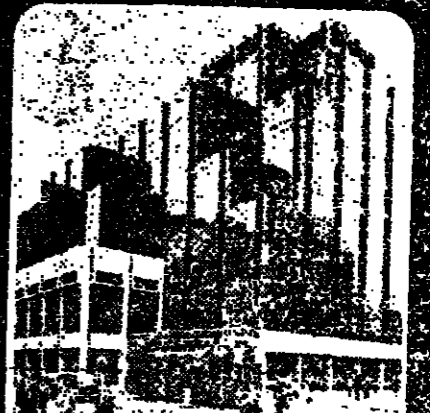
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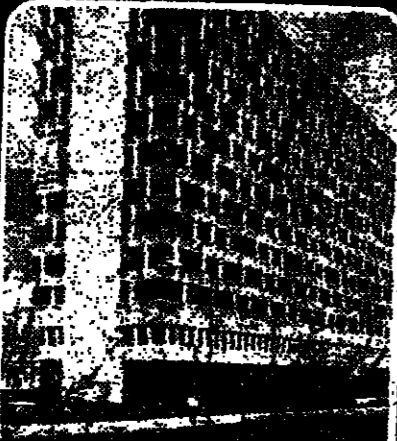
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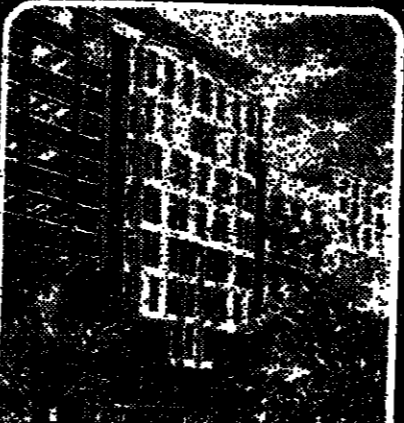
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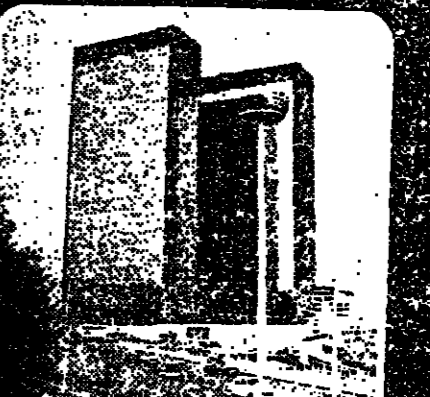
**Barcelona** SPAIN  
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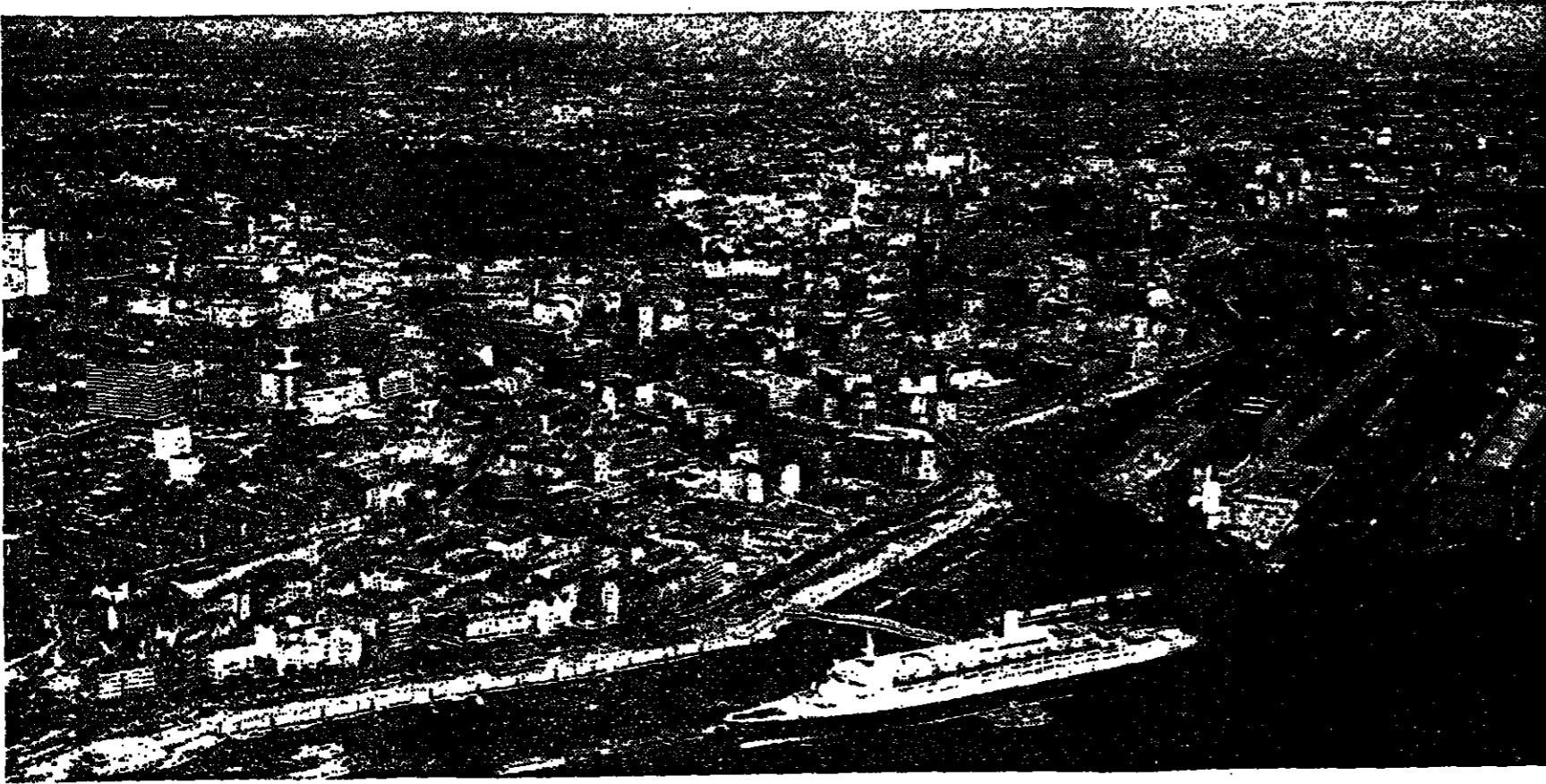
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# Richard Ellis



# EUROPEAN PROPERTY II



A view of modern Hamburg.

## Snail's pace recovery from recession

THE PAST seven years has seen a number of common themes running through each national market. Inflation has no respect for national boundaries. And throughout Europe sharply rising building costs have continued to curb development enthusiasm at a time when inflation has had the effect of dramatically expanding the cash inflows of the property buying financial institutions. These twin factors have had a marked influence upon the property investment markets, where—as the national reports in this survey show—much of the confidence lost in the grim years immediately following the 1973 oil crisis has been recovered.

The more cheerful outlook in the investment market anticipates a general recovery in economic activity throughout Europe. But to date that recovery has been disappointingly slow.

Even Germany, with Europe's strongest economy, has only been crawling out of the 1974-75 recession. And the snail's pace of industrial expansion has dictated the level of activity in the industrial and commercial letting markets. There has been a clear improvement in letting demand in every national market. But with only a few isolated exceptions, that improvement has merely altered the immediate conditions from bad to dull and provided a little more light at the end of still very long tunnels for the more heavily over-extended cities of Brussels, Paris and Frankfurt.

Viewed from Britain the Continental market still appears to be a graveyard of developers' ambitions. But with active local institutional buyers, and

the occasional purchase by a British institution, the expensive relics of the early 1970's building boom are now being rapidly absorbed into the portfolios of insurance companies and pension funds.

It is too late for a number of casualties of that classic financial trap—a mismatch of currency borrowings to assets—but the recent relative strength of sterling has eased one critical aspect of the financial problems facing British companies still locked into loss-making Continental schemes. Nevertheless, too many fingers have been burnt for the recent movements on the currency exchanges to tempt British developers back into Continental markets.

### Enthusiasm

As British development companies have been curbing their Continental losses, the British surveying firms that rode into Europe on the wave of development enthusiasm have been having a bleak time.

The firms have to overcome inbuilt prejudice against their professional advice in markets where "agents" are generally little more than deal brokers and where advice has traditionally been the prerogative of the architect or lawyer. In that climate the firms have an uphill struggle trying to consolidate local business and reduce their independence upon existing British and international clients operating abroad.

These common themes are reflected, to a greater or lesser extent, in each of the principal national markets.

While the property markets of Belgium, France, Ireland and Britain tend to be dominated

by events in the capital cities, Germany can claim active local markets in Hamburg, Bremen, Hanover, Dusseldorf, Cologne, Frankfurt, Stuttgart, Munich, and an increasingly important number of smaller provincial centres with particularly strong retail demand. There are 12 cities in the Federal Republic with populations of more than 500,000 and a further 62 with more than 100,000 inhabitants. This diversity, and the inherent wealth of the markets, acted as a magnet for developers and resulted in an office over-supply that is only now beginning to be absorbed.

In its recent review of the market Jones Lang Wootton noted a steady recovery in office letting demand over the past year. But the agents report that, with commercial confidence still at a low ebb, demand has centred on cheaper city centre space and there is still a marked reluctance to move into higher quality air-conditioned space or decentralised offices.

The selectivity and cost consciousness of the letting market has tended to slow the pace of rental growth and deter new development. Yet with interest rates lower than they have been for several years, and a traditionally narrow investment market because of the strong bias towards owner-occupation, competition between local and international — particularly Dutch institutions for prime properties has forced a sharp drop in investment yields. JLV estimates that initial yields in Germany now range from 5.5 to 6.5 per cent. for residential property, 5.5 to 6.25 per cent. for offices and shops and 8 to 8.25 per cent. for industrial

property and hypermarkets. The Dutch institutions' appetite for property investments has been a striking feature of the European market in the past year. Wherever a property deal is being discussed the name of the Philips or Shell pension fund is bound to stray into the conversation. And when those funds are absent it is a fair bet that one of Holland's insurance companies, led by the giant Nationale-Nederlande, or Robeco's 25 per cent. owned property investment group, Wereldhave, will have made discreet soundings.

Disenchantment with residential property investments and, once again, the common feature of inflationary swollen cash inflows combined to explain the growth of the Dutch property groups.

In their home market the Dutch companies have seen only a moderate revival of letting demand. Commercial confidence has been affected by political uncertainties following the recent indecisive Dutch general election. And while prime office investment yields mirror the sharp decline seen elsewhere there has been no comparable recovery in rent levels.

Recent doubts about the strength of the Belgian franc have deterred investment there, although there are now signs of an improvement in the massively over-officed Brussels market. Richard Ellis has reported that some 1.45m. sq. ft. of offices in and around the city were let in the first half of the year.

A recovery of demand on that scale could significantly improve

### Doubts

the outlook for both rents and investment activity in the city. But with as much as a fifth of the city's total 4m. square metres of offices either standing empty or nearing completion but unlet, any short term recovery in the market is bound to be highly selective, both qualitatively and in locational terms.

France, also an effective one city property market, is slowly coming to terms with its oversupply problems. But any eventual recovery will come too late for this generation of property developers who are being forced by the absence of long term finance to abandon the market to local investors, and to the ever present Dutch.

Overall, Europe's property markets are slow in a period of consolidation. Caution has succeeded the hectic activity of the early 1970s, a caution that parallels local economies' hesitant moves out of recession. Until industrial and commercial activity throughout the Continent renews the steam knocked out of it during the post-oil crisis slump, the best the property industry can hope for is a steady absorption of the host of unlet space and a slow but consistent firming of rent levels.

The investment market is already running well ahead of underlying office demand. And although this can be explained simply in terms of the weight of institutional money the pressure for prime separate investments underlines long term confidence in the investment appeal of real estate, a confidence that is gradually seeping back into the day-to-day business of the markets.

John Brennan  
Property Correspondent

charge of Europe believes that yields are looking attractive in Europe now that they have improved slightly. In Paris he is talking of 8 to 8 1/2 per cent. for prime offices and in Germany around 7 per cent. for the best. Now he is looking forward to rental growth on the back of rising building costs which are inhibiting new projects. Abbey's own developments are nearly complete and its investment properties virtually fully let.

Despite Abbey's confidence in the European markets, however, it has not been actively buying for some time. One reason is currency regulations. Since the special £1m. premium-free allowance was withdrawn by the British Government three years ago, most British funds have stayed out of a market in which they would have to pay an extra premium because of the weak state of the pound.

But this is not the only reason why Abbey is content to consolidate its existing portfolio. It believes it has a sufficient proportion of its total fund in Europe already and in any case it is not betting on rental growth based on to-day's yields. Like many other British investors, it believes that the extra risk involved on the Continent — where tenants can break their leases every three years — requires an extra couple of points on the yield to equate with British properties.

## British developers

THERE WAS a time in 1973 when the total European property portfolios of British companies topped £1bn. To-day the figure must be less than half that amount.

Since 1975 massive selling programmes have been the order of the day as British developers fought to rid themselves of crippling debt mountains.

The causes of the collapse are only too well known. Building boom created oversupply, which made lettings difficult at a time when steep financing charges urgently required high initial rents followed by strong rental growth. These problems were being encountered both at home and abroad, but overseas they were exacerbated by the weakness of sterling against other currencies. Already heavy financing burdens became crippling when translated back into sterling terms.

Perforce the only solution was to sell off the schemes which had been undertaken with such confidence. The investment climate was poor. Development sites could find virtually no buyers and even good completed developments could only fetch prices which showed losses in the balance-sheet.

Not all deals have been straight sales. British Land has organised a very advantageous partnership in Holland and France with the Dutch property investment company Wereldhave. The first partnership was in Holland. First British Land bought two extra properties for its portfolio, bringing the total up to 700,000 square feet, including four shopping centres. Then it sold a half share of the total to Wereldhave.

Since then the four shopping centres at Almelo, Steenwijk and Leeuwarden, have been sold. Next stage in the partnership was for a 50-50 split with Wereldhave of the French portfolio. The principal property is a 135,000 square foot office refurbishment let to the French Government.

Another partnership, between the Hammerson Group and the Dutch company, Boz, ceased when Boz was taken over by Nationale-Nederlande, a leading Dutch insurance company. The projects already undertaken in partnership remain jointly owned and on the whole they have been successful.

Yet Hammerson's chairman, Sydney Mason, takes a rather cool view of Europe as an area for property development. "Of all the countries, Germany is the only one where economic conditions are right in certain locations, though you still have to be sure of the returns. With this exception, everywhere else is overdeveloped."

Hammerson has disposed of all its French interests and Mr. Mason believes that British developers will never go back into France. "There is a complete absence of long-term finance in France," he says, which makes it impossible for developers to hold their completed schemes.

He is equally dubious about prospects for future development in Brussels. "There is still a lot of space there to let, and the take-up rate has been dismal though it has improved recently." In fact Hammerson's three properties in Brussels are now 90 per cent. let.

Mr. Mason's views are confirmed by Commercial Union, whose surveyor, Keith Egerton, says that Germany is virtually the only country EU would like to be more involved in. Lettings on its Brussels properties have not been easy, although the prime Arts Lux building is now 80 per cent. let.

West Germany does seem to be just about the only country its French properties also, and where British developers are carrying on projects.

Brixton Estates, for instance, has completed the first phase of its Erkat Industrial estate near Dusseldorf, where the warehouses are let to the lighting department store group Karstadt. Phase 2 has now begun. When finished it will provide 148,000 sq. ft. of space, which 89,000 is already pre-let.

Not all German schemes have been free from trouble, however. Bishopsgate Properties recently been forced to restate a £11.6m. D-Mark. Announcing the deal at an annual meeting, when the company was just "opening day by day," the chairman said all three properties Germany would be sold, on a course.

The office developments in Dusseldorf is still only about 50 per cent. let and its value on completion will just about justify its costs. But the two under-construction sites in Stuttgart and Dusseldorf are expected to show a "deficit" on cost.

Holland has also produced a crop of problems for developers. Hammerson's massive Amsterdam block, for instance, is only two-thirds let and Mason does not see any room for development in Amsterdam.

Country and New York scheme in Arnhem is only 10 per cent. let and the value has written down again. But, on the other hand, the project at Merend was sold at a profit, the remaining Dutch part is producing a current test sufficient to cover financing costs, though the whole of pending disposal.

Ironically, the climate is now much improved, both for lettings and investment purchases. In Brussels, for instance, the most favoured location of all in Europe, and the one which has suffered most acutely from oversupply, demand is definitely picking up. According to Richard Ellis in Brussels some 1.1m. square feet of offices were let in Brussels between January and the end of July. In Paris, too, the empty blocks are filling up at acceptable, if unexciting, rents.

But the dawn has come too late for many. The roll call of properties sold off during the past 12 months or so has been relatively short in comparison with 1975-76 but it has still left a dent.

Among others, Continental Estates has sold its Paris office development for £4.25m. and its Dutch Properties for £4.6m. Berkeley Hambro Properties sold the bulk of its French holdings for £18.9m., £1m. over the book value. The buildings included the La Defense tower, three other Paris office blocks, one in Lille, and a warehouse in the Paris region. The reasons for the sale: To reduce borrowings.

Raglan has sold the bulk of its French properties also, and where British developers are still carrying on projects.

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## Investment patterns

WHAT IS one man's meat is another man's poison. As the British developers blow their hard-earned cash on their most positive projects European investors have been picking them up with alacrity all this year.

In Paris, for instance, Dutch investors are thought to have picked up some 260m., a £70m. worth of properties in the past year. It is difficult to generalise, of course, about the investment market in Europe. Each country presents its own investment climate and membership of the EEC is no sign of uniformity.

Nevertheless, there are some factors in common. Inflation has been a force throughout the world, not least in Europe. One of its effects has been to drive up building costs to a point which makes existing buildings historically cheap. At the same time, inflation has also boosted the revenues of insurance companies, pension funds and banks who have, therefore, been all the more anxious to find homes for their inflows.

In most European countries the effect on property has been to drive yields down two or more points below the levels prevailing in 1975 and the beginning of 1976. This is not deterring the investors who have by no means slackened the pace of their search for new acquisitions. In the main the Dutch have been leading the way, looking in most countries with the possible exception of Belgium due to its position over the strength of the Belgian franc.

Many of the deals have been in Breda, plus 550 houses and 1,250 apartments.

Other Dutch investors, notably Wereldhave, a property investment company 25 per cent. owned by Robeco, have taken the alternative way towards building up a property portfolio. Rather than buy individual buildings in a competitive market Wereldhave has been seeking to acquire companies with existing portfolios.

Next week it should announce whether it has been able to agree terms for an amicable takeover of the Dutch-quoted but British-managed investment company EUPIC (European Property Investment Company). Under Dutch rules it announced preliminary discussions late in September.

EUPIC was launched in July 1973 with the issue of 1.2m. shares at Fls.110 each on the Amsterdam market. It was sponsored by a group of international bankers and institutions headed by Morgan Grenfell and made its first property acquisitions, worth £5.4m. in April 1974.

Since then it has bought a further six properties bringing its total portfolio to ten spread throughout Germany, Paris, Brussels and Amsterdam. The results of the latest valuation, in June 1976, throw up a value of Fls.89.5m. for the portfolio, producing a net rental income (before financing costs) of Fls.6.3m. At the pre-tax level, the haul from cash and deposits kept this at Fls.6m. after financing costs of Fls.1.2m. and administration expenses of Fls.1.1m.

### Involvement

One reason for the Dutch involvement in France is a genuine need to spread investment money outside Holland itself. Under French regulations all the money has to be brought in from abroad and the Dutch are happy to comply as their own country is beginning to show its small size—prime investment opportunities in Holland are drying up.

Nevertheless, there have been major deals transacted recently in Holland, not least a £40m. purchase from the Government Savings Bank. The deal, which was arranged by Bette-B agents Richard Ellis, on behalf of a consortium of private investors, involved some 6,000 square metres of offices in Amsterdam, a shopping centre

The managers are very pleased with the performance of the portfolio and are not at all eager to sell out. A spokesman for Morgan Grenfell said quite categorically, "any deal must reflect the unique qualities of EUPIC. A simple offer in match net asset value won't be enough."

### Portfolio

So Wereldhave probably has a fight on its hands. In another series of deals undertaken in the past 18 months it has found a less reluctant partner in British Land. First it entered into a 50:50 relationship with British Land over its Fls.140m. Dutch portfolio, then it repeated the deal with the French portfolio which is worth Frs.135m. according to British Land's last report and accounts.

Not all the investors in Europe are Dutch, of course. Private German investors are also active in Holland and France as well as on their home ground where they have always been particularly attracted to residential apartment blocks.

Nor are the British unrepresented. A number of British pension funds, property bonds and insurance companies have quite sizeable portfolios in Europe. Abbey Life, for instance, has 15 per cent. of its property fund in Europe and it expresses itself as quite happy with its performance. Its investment manager in

Christine Moir

overlooking the Trocadero gardens

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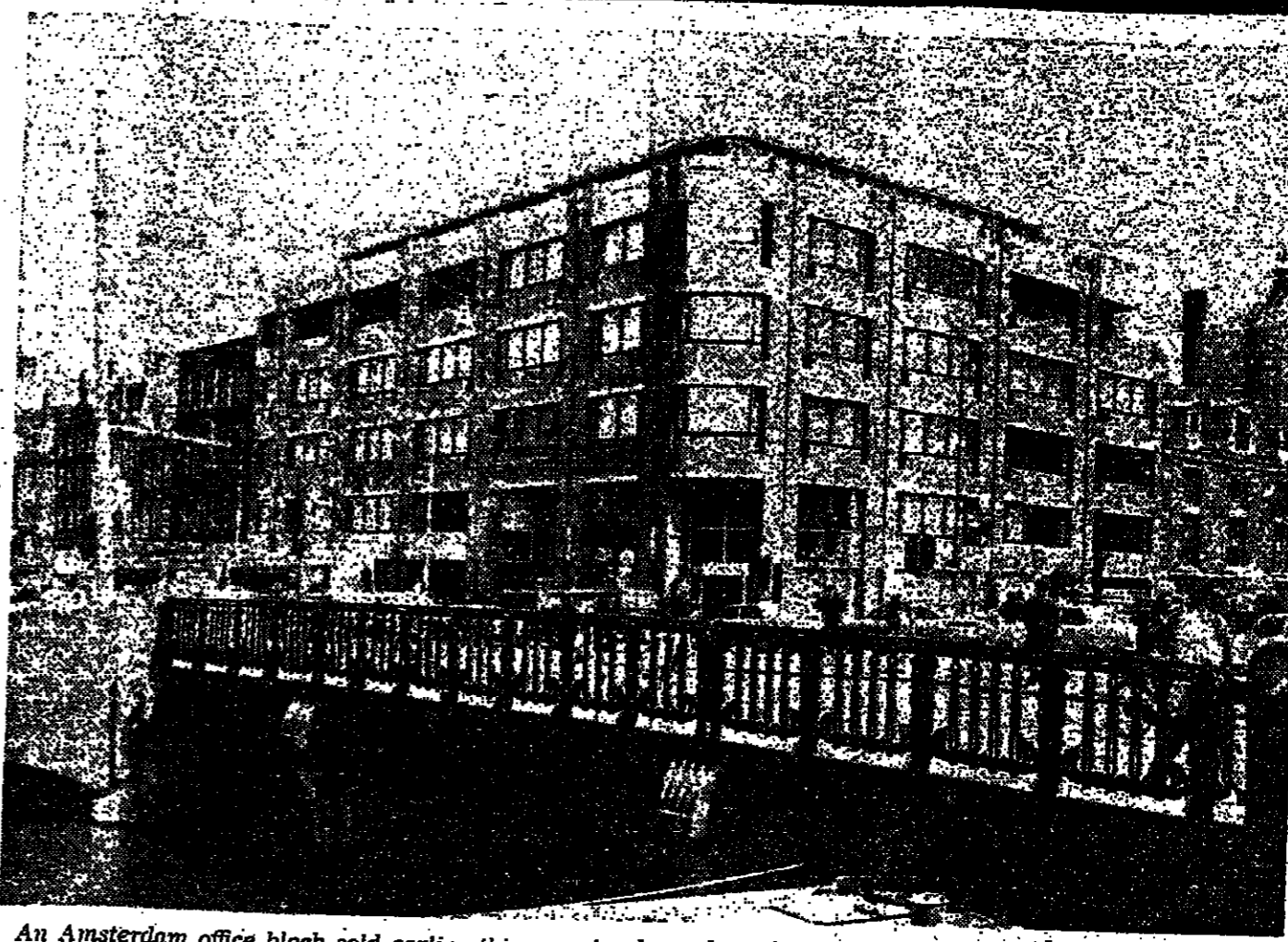
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THE NETHERLANDS

Pressures build up



An Amsterdam office block sold earlier this year by Jones Lang Wootton for Chesterfield Properties to an investment fund managed by Algemene Bank Nederland.

DUTCH INVESTORS are driving property yields down lower and lower. While the letting market remains weak the investment market is strong, and there is evidence that its strength will continue.

The main investors are the pension funds and the insurance companies, both of which are quite large in relation to the comparatively small population. The Netherlands has a number of large industries—Unilever and Philips, for example—despite its size. But the investment companies are still active buyers of tenanted properties, and the private investor still flourishes in the Netherlands, despite the tax system.

These four sources of funds have also had to compete with funds coming into the country from outside, especially Germany. But a change in the portfolio composition by the Dutch insurance companies and pension funds is also adding to the pressure on demand for properties. Commercial property investment is relatively new to the Dutch institutional investors; previously they have invested substantially in residential property. Faced, however, with the relatively low yield offered by flats, the institutions have been selling these investments and re-investing the proceeds into commercial property—shops, offices, factories, and warehousing.

Profits Demand is thus strong. But one respect this strength has come at the right time: the British development companies which rushed into Holland during the early 1970s—only to find that lower than anticipated rents reduced their profits—left them with revenue deficits—are now eager to re-enter the market. The eagerness is increased in the past year's decline in the shopping centre. The large quoted Dutch property company Beleggingsmaatschappij Wereldhave has also been actively acquiring complete

Foreign investors are attracted to the Netherlands by the strength of the currency, but this has only hindered the U.K. developer while the pound has fallen.

Among those U.K. developers selling their Dutch schemes has been Keamhurst, now part of Hui Samuel, which this summer sold its 12,000 sq. m. office block on Rotterdam's Vasteland to the VMF pension fund for over Fls.15m. Chesterfield Properties, too, has sold the 5,200 sq. m. offices it completed last year in Amsterdam. The freehold development on the corner of Vijzelstraat and Kellersgracht in Amsterdam's banking district was bought by an investment fund—Beleggingsfonds Onroerende Goederen—for Fls.20m. And also in Amsterdam, Bovis has sold its shop and office investment in Leidsestraat for Fls.3.5m.

As the institutions have continued their buying spree, yields have fallen such that prime office investments now sell on yields of under 6 per cent. Earlier this year yields were up to a point higher; and a year before that yields were another point higher still. Shop yields are now down to around 6 per cent, and industrials sell around 7½ to 8 per cent.

Faced with these high prices, investors have been looking for ways in which they can improve their yields. One way has been to buy whole property companies or portfolios. One of Holland's largest ever deals was completed this summer when a consortium of Dutch investors paid nearly Fls.175m. for a portfolio of office, retail and residential investments. The seller was the Rijkspostspaarbank—the Dutch Government savings bank—and the properties included a 6,000 sq. m. office block in Amersfoort and a Breda shopping centre.

The large quoted Dutch property company Beleggingsmaatschappij Wereldhave has also been actively acquiring complete portfolios. In a mixture of the shares and cash Wereldhave took over Kemley Coopman who took Fls.40m. portfolio included office investments in Haarlem, Rotterdam and Dordrecht, besides cash-and-carry warehouses near Maastricht and Eindhoven. At Dordrecht Wereldhave has acquired a site in the deal which it will develop and let itself.

Wereldhave also bought Rothschild Investment Trust's Dutch property holding subsidiary for Fls.6.9m. cash, and may soon bid for the quoted European Property Investment Company.

Limited

Investors look for indirect ways to invest in property because the number of investment properties in the Netherlands is strictly limited. Not only is the country relatively small, so not requiring a large number of commercial properties, but many of the properties which do exist are used by owner-occupiers. Owner occupation is still very attractive to the Dutch.

So two of the largest deals in recent years have been between developers and owner occupiers. Delta Lloyd, now a subsidiary of Commercial Union, agreed to buy Rank City Wall's 30,000 square metres Amsterdam office development while the Rank Organisation subsidiary was still developing it. And in Rotterdam, Town and City's Europort buildings were sold to the local municipality for well over Fls.100m.

Occasionally an owner occupier will buy a large development such as these and then offer the vacant space on the letting market. It is then, however, that the purchaser comes up against the problems of the Dutch letting market. In most Netherlands cities except for The Hague there is an oversupply of office space, and demand has remained slack. Part of the problem on the demand side of the equation is being given.

Rotterdam's traffic problems are less severe, and new space is still being developed in the centre, particularly in the Cool-singel, Blaak and Westblaak areas. Up to Fls.270 per square metre is being asked for new space here, though achieved rents are little higher than those achieved in Amsterdam.

But although The Hague is the only significant area not currently suffering from an oversupply of office space, about 10,000 square metres are under construction for completion next summer. This should relieve the pressure of demand—currently coming almost equally from private and public users.

The Hague is being watched by retailers, however, following the completion of isolated deals at Fls.2,000 per square metre. Previously such rents have been paid for shops on Amsterdam's top shopping street—the Kalverstraat. This is now helped improve rents, but it has been branches of overseas retailers that have been mainly responsible for pushing rents higher. Alongside the traditional stores like Vroom and

street-level rents are less prices start at around Fls.300,000 common in Rotterdam, there is a belief that when they are paid, they are more justified than in Amsterdam. For some companies the Kalverstraat is a prestige address in which to have a branch; but the trade in sq. metre and outside that area Rotterdam means that high rents fall to Fls.45 or Fls.55.

But the development and construction companies are still responsible for most industrial development; the institutions have been less prolific in industrial development despite the higher yield. Instead, they are commencing shop and office schemes, whose lives should be longer, and whose potential for rent increases is greater. Shop and office developments also provide investments of the size that the institutions want. The yield that the institutions receive by developing themselves is higher than had they bought investments; but that is not the real reason that they have turned to development. Building their own schemes and letting them satisfy their apparently insatiable appetite for investments—an appetite that cannot be satisfied by buying on the open market.

Industrial development, meanwhile, has been retarded by the lack of economic growth and the threat that the VAD tax on surplus profit will be introduced, plus other disincentives to expansion. The industrial allowance available in the provinces means that some firms are moving, but the short lead time necessary for factory and warehouse development means that little speculative development is in hand.

Sites—like one at Alphen—can be acquired for around Fls.75 per sq. metre. That particular site has been developed but warehouse units are only being sold to owner occupiers, not let. Units vary from 450 to 600 sq. metres (typical of the size units being demanded) and

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Richard Northedge

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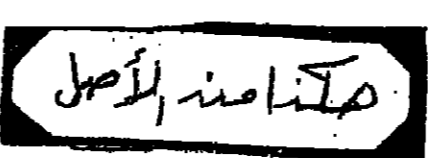
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# EUROPEAN PROPERTY IV

## WEST GERMANY

# Careful approach pays off

WEST GERMANY is still one of the best countries in Europe for commercial and industrial property development and investment opportunities. Despite the recession of the past three years and lack of confidence shown by German industrialists, its economy, compared with that of most other European countries, is still relatively strong.

This is confirmed by the growing numbers of foreign investors, particularly the Dutch pension funds and to a lesser extent British groups, currently investigating the German real estate market.

According to Jones Lang Wootton, in a report on the German property markets, there are still opportunities for property companies to undertake speculative commercial and industrial developments provided that sufficient care is given to site selection, building design and rental forecasts. Equally, claim the agents, it is still possible to find good investments which, together with development schemes, can be financed at very attractive rates.

JLW's report states that the shock of the recession of the past three years has led to a refusal by German industrialists to believe that things are slowly improving. There has been complete lack of investment in the private sector, and this is reflected in a weak office and warehouse letting market. Nearly all major German cities have an over-supply of offices and consequently rent levels, apart from one or two specialised locations such as the banking area of Frankfurt and the Königsallee in Düsseldorf where rents have stabilised at around DM19 per square metre per month (£5.50 per square foot per annum), for well located air-conditioned offices, are now some 20 per cent. below the 1972 peak.

The German office of Weatherall Green and Smith also claims that West Germany is a particularly attractive country for property investment, not least say the agents, because it has one of the strongest economies in the Western world. In 1976 the gross national product of the country was DM1,135bn., which showed an increase over the 1975 level of 8.8 per cent., and West Germany managed to achieve a surplus on the balance of trade of DM34.5bn. maintaining an increase on its exports to all sectors with the exception of Latin America.

### Attractive

With the economic situation coupled to returning confidence in the property market in general has come renewed activity by domestic investors which has made the country particularly attractive to overseas investors.

The usual financing formula, taken by developers from overseas, involves a mortgage on the property with a German mortgage bank, usually at between 55 and 60 per cent. of the total development costs at a fixed rate of interest for the initial years of the loan. The balance of the funding would be provided by a German commercial bank for four or five years and a fixed rate of interest guaranteed by a suitable institution.

Weatheralls state that over the past 12 months the rate on mortgage finance has come down from about 8.5 per cent. to between 7 and 7.5 per cent., depending on the terms of the borrower, so that the funding rate for the total package is likely now to be in the order of 7.5 per cent. Certain outstanding covenants may be able to obtain necessary mortgage financing on a rate below this, and the length of such a loan is normally now between 15 and

20 years. The other factor which has varied during the past year is the percentage of the total U.K. mortgage bank being prepared to fund. Up to the end of 1976 there was little evidence of a mortgage bank being prepared to go beyond 60 per cent. of total costs, and even this was achievable only on the best-located properties. There is now some indication that certain mortgage banks will go above this level, and for high-quality properties in the best streets of major German towns it should now be possible to achieve somewhere between 60 and 70 per cent. on mortgage.

There is no doubt that the German property investment market is back on a very buoyant level of activity. Following the peak market, which ended in Germany towards the end of 1973, the direct investment market died and it stayed at a very low level all through 1974 and 1975. Throughout 1976 there was a gradual improvement and a return of confidence, with a number of substantial transactions taking place which set the market trend.

This general level of activity has been maintained so far during this year and demand has been so high that there is

now a noticeable shortage of suitable rack-rented properties. This has meant that as in the U.K. many institutions are becoming directly involved with developments in order to create their own investments.

As an alternative some funds are agreeing at the outset of an arc scheme with the developer to fund it on a forward sale basis, with an agreed takeout rate for the institution once the scheme is completed and let.

The domestic property investment market is relatively sophisticated, with the principal German investors being insurance companies, banks, and open and closed-ended funds and some individuals from private U.K. institutions had shown considerable interest in investing in Germany in 1973, but their involvement over the past three years—although relatively substantial—has still been modest to the market as a whole.

The major Dutch pension funds have been looking at the market in recent months, and there is now evidence that a number of substantial deals have been arranged. Initially this interest was concentrated on Düsseldorf and other cities on the Ruhr, but there have since been a fairly general basis throughout the Federal Republic.

Richard Coopman, chairman of London and Overseas Property Investment, says that the three principal differences lay in the British and French banking systems in the London and Paris stock exchanges, and in the attitudes of the British and French to investment.

Certainly one difference which developers came up against was the fact that in Paris, because of the practice of selling "flying freeholds" such as private flats in a building which had commercial use on lower floors, it was often virtually impossible to piece together a site for comprehensive redevelopment on the lines so often employed in London.

Because the Paris authorities were determined to retain the bulk of the 19th century architecture intact, but realised that there was a growing demand for new offices, it was decided in 1958 to create a new office area at La Defense, in the communes of Puteaux and Courbevoie to the west of the city.

La Defense is not in Paris, which ends at Porte Maillot, but it is in direct line from the Arc de Triomphe via Avenue Charles de Gaulle and Avenue de Neuilly, it is also less than five minutes from the centre of Paris by the new RER express metro, which also connects it to l'Opera and the financial district.

Rental levels for the western suburbs including La Defense are currently pitched between £5.30 and £6.40 (equivalent) a square foot compared with rents of £10 to £11.50 a square foot for small floor areas in the prime central areas of the 8th, 9th and 16th arrondissements. Larger offices can still be found in the central locations at around £8.80 a square foot. But these central area rentals reflect the lack of development and the growing shortage of offices, particularly in the 10,000 to 20,000 square foot range.

Outside the centre of Paris an over-supply situation still exists with almost 8m. square feet of space available, and with an annual take-up of only 2.6m. square feet it will be a long time before a proper supply and demand situation exists.

Rental levels vary between £3 and £4 a square foot for the north and eastern suburbs to £7.1 per sq. ft. in real terms. Economic growth brought with it significant changes in the structure of production and employment. In 1960 the primary sector represented 24 per cent. of the GDP and industry and services 76 per cent. By the end of 1975, the figures were 10 per cent. and 90 per cent. respectively. From the standpoint of employment, in 1960 42 per cent. of the work force was employed in the primary sector, while by 1975 this figure had declined to 22 per cent.

Likewise per capita income increased from \$1,160 in 1960 to \$2,841 in 1975, thereby narrowing the gap between per capita income in the EEC

and Germany, said Wootton because of the considerable slump in the German property market from 1973 until the end of 1975 there are now very few active German property companies, and one of the largest, the Bremer Treuhand, joined the casualty lists somewhat unexpectedly in the summer. Because of difficulties of German property groups, the weakness of the letting market and the lack of prime property sites, very few new developments are currently being carried out.

### Retail

While the letting market for prime retail premises has remained firm, the demand for new office space has not shown the same consistency. Certain towns still show a healthy demand for high quality space, particularly in Düsseldorf where a number of tenants have been prepared to pay up to £8 per square foot a year to secure first class fully air-conditioned prestige offices.

This demand has been for the smaller floors of 1,500 square feet to 2,000 square feet, but also for larger floor areas of up to 20,000 square feet. There is particularly high demand for offices in the area around

Königsallee, where the few developments carried out there have been letting well. In Hamburg there seems to be resistance from tenants to pay more than \$4.50 a square foot, and most of the prestige air-conditioned high-quality properties still remain vacant even though the asking rents have been reduced from the original £9 per square foot asking levels. The only hope for the developers in Hamburg is that international companies, which insist on fully air-conditioned buildings, will come along and lease the vacant space.

Much the same situation is to be found in Munich; according to Weatheralls there are a number of prime buildings constructed over the past two years, but with less space now coming on to the market things are improving.

There is a healthy demand in Munich for small suites of 1,000 to 2,000 square feet, particularly in such streets as Maximilian Strasse, and slightly higher rents of in excess of £6 a square foot are being paid for these small offices. There is a wide choice of non-air-conditioned offices available, and there is some resistance from local tenants to pay for the privilege of being in an air-conditioned building. Frankfurt has a reputation of

being grossly over-officed, a surplus probably in the region of 4m. square feet, but much of this oversupply is concentrated in areas outside the city centre such as the new office areas Niederrad and Eschborn at certain larger tower blocks of the periphery of the town itself. The Innenstadt of Frankfurt is a relatively small area, the lower part of the district around the Opernplatz and the streets round Hauptwache, which is the core of the city.

Because British developers were somewhat late into the German property market, they have done very well many have come badly off. MEPC will undoubtedly be using some of its cash to reduce its debt on its ventures. But if Jones Wootton is right in the view that there are still opportunities for property companies to undertake speculative schemes, some of the worried companies with sites there should perhaps offer to be in the new breed. But they did say that care would be taken on site selection. 1973 British invaders were too careful.

Rory Ferg

## FRANCE

# Worst problems are over

view there is now the very difficult task of deciding whether to seek a buyer for an empty building, as many had been attempting in the past, or seek a tenant and then sell off the resulting investment.

Clearly, those who are under no great pressure from the banks or other lenders to repay loans would now probably be better advised to sit tight and wait for the tenant. Investment demand is strong, particularly from the Dutch pension funds which have been investing very heavily in Paris over the past six months. Some have even bought empty offices on the Boulevard Peripherique where they have now joined the queue of owners waiting for suitable tenants.

But for most of the British developers the quick sale to a firm which wants a building for its own occupation is the best course, although many keep both options open and try to get a tenant while at the same time looking for a sale as well. The French Government is still very anxious to get more

offices built outside the Paris region and various incentives have been offered in the past, but until rental levels increase quite dramatically there are few places where with current high building costs it is possible to carry out visible developments. In Marseilles, for example, there are few office lettings which have topped the £4 a square foot level and an average rent is below £2.50 a square foot. In Lille, where several British developers were tempted into building commercial schemes, usually shopping with offices over, rents have rarely risen above £4 a square foot and the average is probably nearer £3 a square foot.

### Desire

There is one important factor which may have very far-reaching effects on the Paris office letting market and to some extent on the whole French property market: that is the growing desire by French office workers to have better working conditions and more space.

Those who work in buildings owned by national companies better working conditions in the amount allotted to each employee are demanding more from French companies. Currently the average office worker has 7 square metres of space, compared with a statutory minimum of 120 square feet (11 square metres) in France. There is pressure in France to level to 12 square metres (126 square feet) would mean that at further 53.8m. square metres would be required. This is clearly not happen overnight but show the tremendous will exist in the French market and it is clear from being the gray property hopes, Paris other major areas become a source of pride in the coming years.

Rory Ferg

## SPAIN

# Revival of interest

THERE ARE few Europeans who would disagree with the view that Spain has developed politically since Franco's death, and this combined with country's growth in industrial performance means that at last Spain is shaking off the problems of the past.

Over a span of less than 15 years, Spain progressed from being an undeveloped country to one of Europe's major industrial economies, ranking according to some among the ten leading industrial nations of the world. During this period of growth, Spain's gross domestic product climbed to \$100bn. in 1975 from around a third of that amount in 1960, equal to an average annual rate of increase of 7.1 per cent. in real terms.

Economic growth brought with it significant changes in the structure of production and employment. In 1960 the primary sector represented 24 per cent. of the GDP and industry and services 76 per cent. By the end of 1975, the figures were 10 per cent. and 90 per cent. respectively. From the standpoint of employment, in 1960 42 per cent. of the work force was employed in the primary sector, while by 1975 this figure had declined to 22 per cent.

Likewise per capita income increased from \$1,160 in 1960 to \$2,841 in 1975, thereby narrowing the gap between per capita income in the EEC

countries and Spain. Since 1975 the progress has been far less spectacular and industry has been standing still waiting for an upturn in the economy and for a halt to the inflation which has been sweeping through the country. This lack of confidence has caused the Spanish property market to fall to a low level of activity, although recently there have been signs of an upturn in some sectors, notably the Madrid office market where rents are showing signs of increasing once more.

### Rentals

In round figures, top office rents in Madrid in the early part of 1973 were in the region of 350 Ptas. per sq. m. per month (£2.80/sq. ft. per annum) exclusive of services charges. By mid-1974 these top rents had escalated to 750 Ptas. per sq. m. a month (£6 a sq. ft. per annum); they stayed at this level until early this year when the really prime offices in Paseo de la Castellana hit 1,000 Ptas. per sq. m. per month (£8.20 a sq. ft. per annum). But those are only the top rents achieved for really prime Madrid offices in one or two locations in the centre of the city; the average good office rental is currently around 650 Ptas. per sq. m. per month (£5.30 a sq. ft. per annum).

To get the Spanish market into perspective necessary to look at the next 20 or 30 years. The population is currently 35.5m., is expected to reach 44m. by 1990. Since 1960 the world population has grown by some 12.5 from 11.8m. to 13.5m. has been over the decades a small emigration of Spaniards principally to Communist countries, although past two years this has been halted and the far less emigrant population of some 12.5m. a number of growth towns within a part of the prime city of Madrid within a short distance. The authorities in 1960 thought the ideal for the city was 20 per cent. but in effect ten years, but in effect has been nearer 8 per cent. Madrid is expected to be the average good office rental is currently around 650 Ptas. per sq. m. per month (£5.30 a sq. ft. per annum).

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EUROPEAN PROPERTY V

BELGIUM

Balance restored

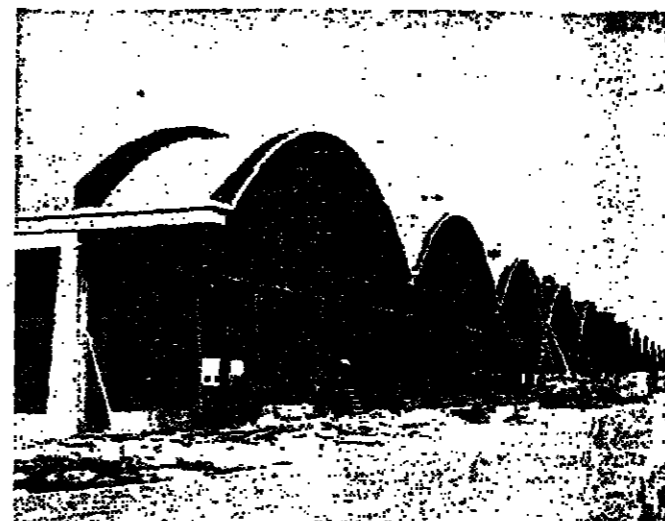
IGN INTERESTS, even in m with its special position roads of Europe and centre of EEC govern- must always rank as the ary influence on a ly market. Much of the ment in the country, r, in the last ten years, r, in the last ten years, en tailored to these interests. To top up local l, there have always been manufacturers for distri- in northern Europe. Commercial centres in the whole of last to use Brussels or p offices as a European arkers. or French s to take an interest in shopping schemes. g the boom years, this phy held good. In the hiatus, both local and users or buyers dropped low that some balance is restored to the Belgian y market, the most sig- influence on the speed recovery is the Belgian y.

Jones Lang Wootton has reported that in the first six months of the year it disposed of 62,500 square metres, 11,000 square metres of it sold and the rest let, compared with disposals of 41,000 square metres in the same period last year. Richard Ellis reckons that before the summer holiday season something like 135,000 square metres of post-1965 office accommodation had, throughout Brussels, been let or sold in 1977, against 120,000 square metres in the whole of last year. There has still been little effect of this increased demand on Brussels rents. Good air-conditioned space in the capital is still being leased at between the equivalent of £3 and £5 a square metre. At this level it is in some senses a bargain, with additional charges only averaging around £1.50 a square foot. The rental is half that for equivalent offices in central Paris or London, and only a third of what is passing in the financial centres of the two other cities.

government attitudes helpful, with the extended rent freeze (due to end this year), though in practice the annual increase permitted by this legislation came to little less than what would have been the full indexed rise. Speculative Will the absence of new speculative schemes eventually mean that the massive oversupply of office property in Brussels will be taken up quickly, and how will values—the fall of which has bankrupted many—be affected? Jones Lang Wootton says that: "The Belgian market has for a long time been a classic illustration of the forces of supply and demand freely dictating values, as it has remained relatively untroubled by artificial influences such as government restrictions. The primary influence on value in recent times has been oversupply in virtually all aspects of the market. There is now, however, very definite evidence of an improving state of affairs."

paned by taking more floors in the old blocks. However, in a strong market, a rising trend of rents will be fairly quickly passed on, and while Napoleonic Code lease structures can never offer the investment opportunity provided by British leases, there are several classes of investor now prepared to take a view on Brussels office rents having come to the end of their long decline in real money terms. A spate of important lettings recently has led to some forecasts of an actual shortage of some prime classes of space developing quite quickly. This seems unlikely, and the conclusion that stockbrokers Vickers da Costa came to on the Brussels market, that the end of the decade would probably see the turnaround, appears more likely. This judgment was based on a steady take-up of space by national and local government, quite apart from EEC departments. Belgium has not seen cuts on public spending equal-

ent to those in Britain, and certainly the quality of some of the offices being taken by government departments—like Ladbroke's letting in the Square de Meuse—indicates that local bureaucracy will take the top standard blocks. Having looked at employment figures, the brokers concluded that the total of white collar jobs in Brussels is rising at 10,000 jobs a year and that if half of this increase represents office workers then there should be a "natural" increase in demand of around 75,000 square metres a year (assuming an average of 15 square metres per employee). The brokers' estimate that this underlying trend should be increased this year to see a take-up of 125,000 to 150,000 square metres already looks conservative on the Jones Lang Wootton and Richard Ellis figures. But equally Vickers da Costa's projection that "beyond that demand should accelerate with a stronger economy" still looks vulnerable. But the assumptions which



A warehouse under construction at the port of Antwerp.

Richard Ellis has just let a substantial portion of the Boris development on Calle del General Sanjurjo to tenants which include Bank Occidental. The building which was completed some time ago contains some 125,000 square feet of first class offices. There can be no doubt that of all British developments in Madrid none can compare in profitability with the Heron development on Paseo de la Castellana which was completed in May 1975 and was soon let. The building contains some 100,000 square feet of prime offices. The block was leased by Richard Ellis and the same agents are responsible for letting the Blackford Properties building in Castellana. The developer, a subsidiary of C-est B.V. built some 32,000 square feet of air-conditioned space. Although Madrid has the largest concentration of offices and commercial buildings in Spain, there is also a great deal of development activity in Barcelona.

Potential

Among British interests with sites in Barcelona is Gerald Ronson's Heron Corporation, it owns a magnificent development site on Avenida Generalísimo in the centre of the town. It looks as though the economic situation is strong enough for Heron to start soon on the 250,000 sq. ft. project. Most property experts in Spain agree that there is tremendous growth potential in Barcelona and many think that in the long term there is more scope in Spain's second city than in the capital. Rents are somewhat lower there than in Madrid although in the best locations really first class buildings will command rents in excess of 700 ptas per sq. m. per month (£5.70 per sq. ft. per annum). Although the average is probably below 600 ptas per sq. m. per month (£5 a sq. ft.). Most property experts in Madrid believe that there is tremendous scope for British developers once more in the capital, and they claim that because of the stringent planning controls a situation exists very similar to that of Paris, where central area rents will soar because of the restrictions on further schemes. But it is likely that some of the developers will remember with regrets their flirtation with Spanish real estate, they may just prefer to concentrate on Real Madrid.

Richard Warden

ressed

business climate, is still ed. Unemployment has o be historically high at per cent and inflation, nd eight per cent, is low last year's rate. g the new Government's s for the 1978 budget, s was directly influenced The regrouping of all VAT 16 per cent, meaning a cent increase in the tax le to large building agents' fees and d flat rents. Indirectly, stion is whether the s to support private in- , such as tax reliefs and ed depreciation, are produce an upturn. An report in the summer not. on with a sluggish local some further steady- hat had become a very property market is continue this year. In sels office market, most are talking of an amount of space ken up, and taken up more quickly than

The level of these rents contrast with building costs of £70 a square foot or more being quoted. It is probably this apparent lack of relation between costs and rents at present which has influenced the buoyant nature of the owner-occupier market. The sort of ratios involved are rents rising between B.Frs.1,500 and B.Frs.3,250 a square metre, building costs running between B.Frs.45,000 and B.Frs.70,000 a square metre, with good existing buildings being sold at a total of around B.Frs.35,000 to B.Frs.40,000 a square metre. The public sale of the Town and Commercial building in the Avenue Louise showed only B.Frs.29,000 a square metre, though the price reflected a liquidation sale and also took into account restoring costs. Little new development, short of substantial pre-letting, has been contemplated with the promoter's margin squeezed, the older tower blocks have also suffered something of an exodus of tenants where before, the was defended through interest rate hikes. Nor, perhaps, are probably have continued to ex-

The agent's claim that there is "a clearly emergent pattern of tenants and purchasers realising that now is the time to take decisions which in three to five years' time may well prove to have been made at historically low values." They stress that the lease system used in Belgium has the effect of spreading such changes in value through the system unusually quickly. The huge majority of Belgian leases are still of the nine year variety, with breaks and upwards or downwards reviews every third year. Either landlord or tenant will be quick to exercise their break options if the rent gets badly out of line with market conditions. This is, up to the time of the adoption of the current planning regulations, the emphasis was placed upon the development of an even spread of uses throughout the city with reasonably rigid attention being paid to density. This planning policy has led to most of the commercial buildings in Madrid having frontages to the major

SPAIN

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cause with a doubling of population in a 15-year period, over 50 per cent of the buildings have been constructed during that time. While this growth has been going on the historic planning policy has seen a controlled expansion of the city within clearly defined areas to avoid the ultimate outcome of an urban sprawl and ribbon development. Up to the time of the adoption of the current planning regulations, the emphasis was placed upon the development of an even spread of uses throughout the city with reasonably rigid attention being paid to density. This planning policy has led to most of the commercial buildings in Madrid having frontages to the major

streets of the City with property within these natural boundaries being predominantly residential. It has also been customary for buildings to be of mixed use, with the ground floor being designated for retail purposes, the first and perhaps the second floors for office purposes and the rest given over to residential use. In 1972 the present planning regulations which give strict zoning of areas and a rigid policy of control towards non-conforming users. One of the effects of the 1972 policy was to curb the use of apartments for office use. Until a few years ago the average size of employees of commercial firms was low, the current average is only around 15, and

It was common for a large proportion of the apartments in the central area to be used solely as offices. Locations In its latest property report on the Spanish property market, agents Richard Ellis give precise details of the areas which are defined as office and commercial locations. The Tetuan and Chamartin area has become fully established as the most important office centre of Madrid. The area is bisected by the Avenida del Generalísimo, running in a southerly direction from the Plaza de Casilla and the new Chamartin Railway Station. Communications from this area are good and are to be improved by more metro facilities. To the West of Avenida del Generalísimo two large office concentrations have been developed. The Azca complex bounded by Generalísimo, Raimundo Fernandez Villaverde, Calle Orseno and General Peron is being developed over a period of several years when it is completed there will be around 2.5m. square feet each of residential, commercial and office accommodation. Most of the offices currently under construction are for owner occupation. To the north on either side of Capitan Haya, a large amount of offices has been built for speculative letting and for owner occupiers.

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Rory Ferguson

Weatheralls are looking for sites for their developer and pension fund clients

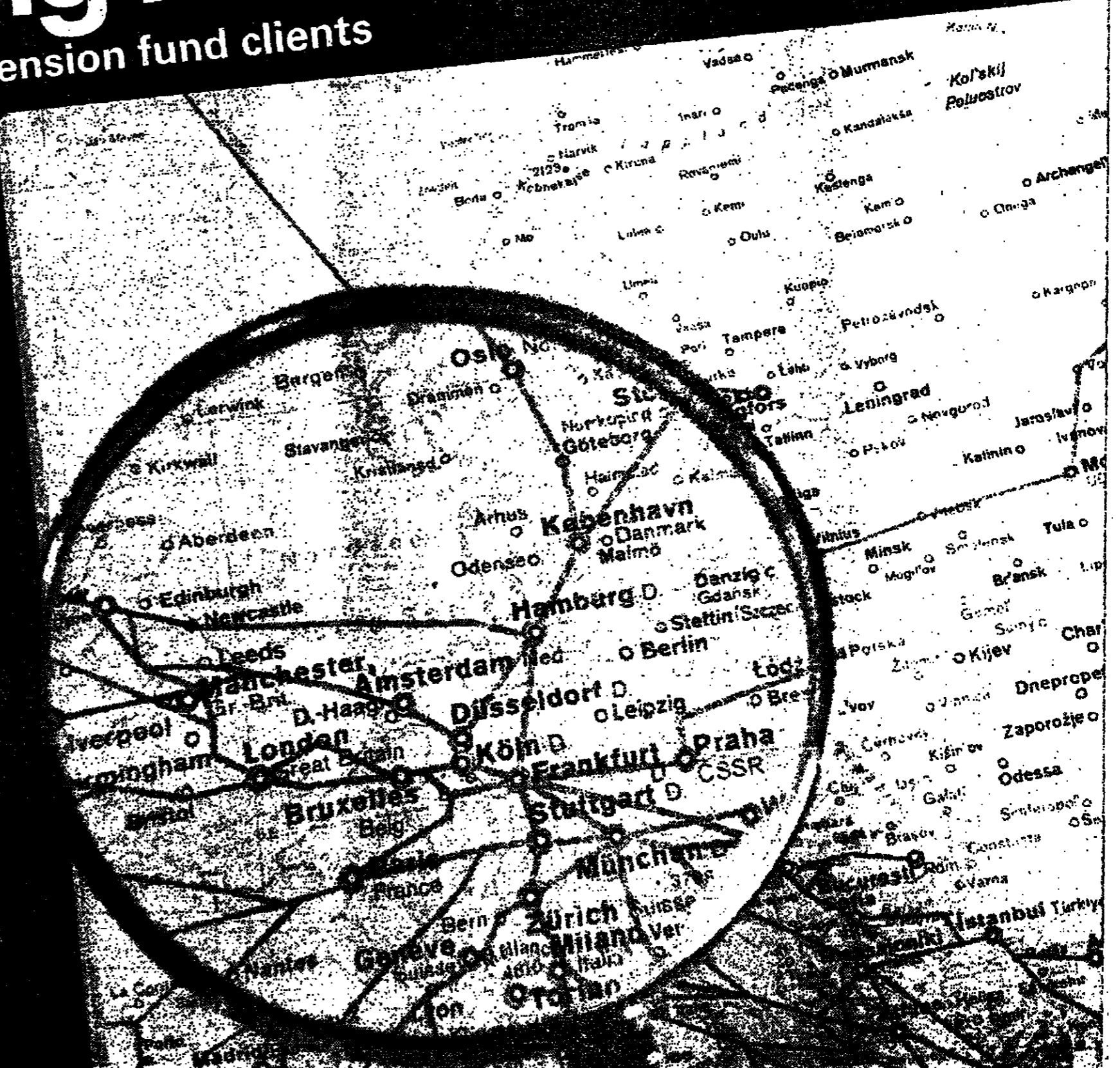
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Our Commodities Staff... ISH farmers are pressing on with speed with their autumn work...

'Last-ditch' campaign for 50-mile fishing zone

By RICHARD MOONEY... The U.K. fishing industry has launched a major campaign in support of its demand for a 50-mile exclusive limit around Britain's shores...

ench cocoa hand up

Our Commodities Staff... The cocoa market is showing signs of recovery after a period of volatility...

S. Africa doubts on sugar pact

By BERNARD SIMON... JOHANNESBURG, Oct. 17. Annual exports over the past three years for instance, have averaged 793,000 tonnes...

Copper stocks near record

By John Edwards, Commodities Editor... COPPER PRICES fell back on the London Metal Exchange yesterday, as stocks in the LME warehouses rose for the eighth week in succession...

ASIAN AGRICULTURE Stagnation of the green revolution

By KEVIN RAFFERTY... THE GREEN revolution, the great hope for supplying the peasant's farms, has not lived up to its name...

Malaysia to aid rubber growers

KUALA LUMPUR, Oct. 17. DATUK Musa Hitam, Malaysia's Primary Industries Minister, says the government will restructure tax on rubber and increase replanting grants to boost the rubber industry...

Britain, Italy 'agree on price cuts'

By PAUL BETTS... MR. JOHN SILKIN, Agriculture and Fisheries Minister, indicated today that there was agreement between the U.K. and the Italian authorities to reduce EEC cereal and dairy prices...

MODITY MARKET REPORTS AND PRICES

Table with multiple columns for various commodities including metals, coffee, grains, and silver, showing prices and market movements.

PRICE CHANGES

Table listing price changes for various commodities such as metals, meat/vegetables, and soyabean meal.

PAN-HOLDING SA, LUXEMBOURG

As of September 30th, 1977, the unconsolidated asset value was U.S.\$74,935,420.19, i.e. 07.05 per share of U.S.\$10 par value...

THE SANKO STEAMSHIP CO., LTD.

The undersigned announces that as from October 17, 1977, the Sanko Steamship Co., Ltd. will be paying a 10% surcharge on the freight rates...

IN POUND \$2.00

predicting that the POUND will trade at level or higher to the US within the next SIX MONTHS...

CONCERTS

ST. PAUL'S CATHEDRAL CELEBRITY RECITALS TO MARK THE REBUILDING OF THE ORGAN THURSDAY 8 P.M.

COMMODITY SERVICES INTERNATIONAL

45 Grosvenor Place, London SW1X 4HF. Tel: 01-274 8129.

COCOA

Table showing cocoa prices for various grades and origins.

FINANCIAL TIMES

Table with multiple columns for financial data including stock prices, interest rates, and other market indicators.



STOCK EXCHANGE REPORT

Currency hedge support gives another boost to Golds
Gilts and equities dull with share index down 0.9 at 499.1

Account Dealing Dates
Option
First Dealing Last Account
Dealings Dealings Day
Oct 3 Oct 13 Oct 14 Oct 25
Oct 17 Oct 27 Oct 28 Nov 5
Oct 31 Nov 10 Nov 11 Nov 22

South African Gold shares
yesterday provided the one main
area of Stock Markets in which
firm conditions reigned, currency
hedge currency trade figures
price of gold bullion through the
psychologically significant level of
\$180 an ounce to a 26-month peak
of \$190.125 this was reflected in
a further advance of 12.8 points
to 174.9 in the FT Gold Mines
index which was standing at its
highest since June 16, 1976.

Potential buyers in the Stock
Market's other major sectors
stayed on the sidelines, unwilling
to enter into fresh commitments
in face of the uncertainties
generated by the further bout of
weakness in the U.S. dollar.
British Funds and leading shares
were also adversely affected by
the current challenges being made
to the Government's pay guides
and eased in quiet trading after
a steady rise in opening following
last Friday's late improvement on
the one of the main trade figures
generated by the most part dulled
lower in sensitive trading conditions
with official markings 3,657,
the lowest for a Monday for eight
weeks. Sentiment, however, im-
proved in the early afternoon
following reports that the first
Ford plant to vote on the com-
pany's pay package had given it
an overwhelming vote in favour
of acceptance.

Quotations in the Funds closed
only 1/2 above the day's lowest to
end with falls to about 1/2, and
the Government Securities index shed
0.12 to 76.83. The firm start in
equities led to a rise of 1.4 in the
FT Share Index at 10.40, but a
sharp turnaround of nearly nine
points was seen in the noon calcu-
lation which recorded a net fall of
7.5 before the rally left the
close only 1/2 off the day's high of
499.1. Overall, the tone was mixed
with rises outnumbering falls in
FT-listed equities by just 5-to-4,
although the broad-based FT
Actuaries three main indices all
closed 0.2 higher with the
Allshare at 216.06.

Gilts quietly dull
With market sentiment becom-
ing increasingly concerned about
the future level of wage settle-
ments, British Funds were look-
ing rather apprehensively pending
the full impact of the Ford
workers' vote on the company's
share offer, which is expected
shortly. Lack of fresh support
and scattered selling after last
Friday's recovery meant that
Friday's trading falls ran
into 3 1/2 at one stage, but news

that the first of the Ford plants
had voted overwhelmingly in
favour of the company's offer
gave this sector of the market
a modest fillip and final losses
were reduced to only 1/2. The
shorts attempted to go better at
the start, but buyers here also
showed a marked reluctance and
a little stock coming on offer
took prices lower. Final quotat-
ions recorded falls extending to
1/2, Treasury 14 percent 1982, 81
and Exchequer 91 percent, 1982,
at 101 1/2, both falling that
amount. Corporations tended
easier in line with the main
Funds, closing with scattered
falls of 1/2 and occasionally more.
Declines in the investment cur-
rency market became more
notable yesterday after last Fri-
day's rush of demand which
followed hopes of the abolition
of the 25 per cent surrender rule.
However, there was a good im-
provement in the morning from
institutional business and after
opening at 92 per cent, the
premium advanced to 94 1/2 per
cent before some further 1/2 per
cent left the rate at 94 per cent
for a net gain of a point. Yester-
day's SE conversion factor was
0.7530 (0.7638).

Hambro Life good
Hambro Life featured with a
jump of 20 to 273p in response
to the increased interim dividend
and accompanying statement.
Other Life issues closed firmer
for week. Sentiment, however, im-
proved in the early afternoon
following reports that the first
Ford plant to vote on the com-
pany's pay package had given it
an overwhelming vote in favour
of acceptance.

interim figures, Lafarge Organisa-
tion turned easier on the profits
standstill to finish a net 2 down
on balance at 88p.
ICI rallied late to close only a
penny easier at 412p after 40p.
Elsewhere in Chemicals, publica-
tion of cash or share alternative
terms for W. W. Ball from
Blagden Noakes prompted useful
improvements in both: the
former touched 123p before
closing 6 up at 120p, while the
latter ended 10 to the good at
230p, after 233p.

Mothercare down
Mothercare was a notable
casualty among Stores, falling to
180p before closing 10 down on
the day at 180p, following dis-
appointment with the first-half
profits which were at the lower

end of market estimates. Marks
and Spencer shed 3 to 155p in
front of to-day's interim figures;
market estimates range from
£48.10 to £58p in a thin market
and Gussies A were off at 314p.
Elsewhere, Time Products were
a shade lower at 111p following the
half-yearly results, but British
Home closed a penny dearer at
217p; the interim results are due
to-morrow.

Electrical leaders were devoid
of any notable movements. The
leaders partially rallied from
earlier dullness to leave GEC 2
down at 263p, after 261p, while
EMI ended unchanged at 215p,
and Plessey managed a penny
gain at 112p. Parnell Electronics
were notable for a loss of 1/2 at
213p sd, while Jones Stroud lost
an effective 6 at 78p ex the scrip
issue. Ready declined 4 to
180p, but Decca issues hardened
to 330p for the Ordinary and
to 510p for the A.

Secondary issues provided the
main focal points in the Engineer-
ing sector yesterday. Mining Ser-
vices fell 1/2 to 73p on the
announcement of the termination
of bid talks which have been

taking place over the past couple
of weeks with an unnamed com-
pany. Advest shed 4 to 235p as
did Pegler Hattersley to 196p and
Henry Sykes to 100p but week-
end Press comment drew buyers'
attention to Braswax which rose
6 to 30p, after 31p. Reflecting
late business transacted last
Friday, Corserover opened higher
and improved further on fresh
interest to close 8 up at 82p.
Deport hardened a penny to 72p
ahead of to-morrow's interim
figures. Of the leaders, GKN,
285p, Tubes, 374p and Brown,
174p, all closed with improve-
ments of 2; the half-yearly results
of the last named are due on
Thursday. Among Shipbuilders,
Swan Hunter closed 1/2 up at
145p.

Food...
Motors and Distributors were
occasionally harder...
Oil...
After a reasonably good two-
way trade in the morning session,
Oils became almost becalmed and
the leaders struggled to regain
ground lost ground with sentiment
eventually helped by the sur-
rounding better tone. Both British
Petroleum, 884p, and Shell, 574p,
managed to retrieve initial losses
of 4. Royal Dutch, helped by the
new high of 447p, while
Durban Deerp, up at 46p at 333p
and West Rand Consolidated
added 30 at 207p. Harmony
jumped 31 to 466p.

Investment Trusts made another
rather drab showing, ending
at 225p, while Bowater were 2
off at 168p, after a 1977 loss of
166p. The market in Spink
remained nervous in the absence
of a statement on the merger
discussions first announced on Sep-
tember 29 and the shares declined
25 to 275p, after 270p. Week-end
discussions taking place with
Fairbairn, 1 off at 74p sd, left:

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FINANCIAL TIMES STOCK INDICES
Table with columns for various indices and their values over time.

HIGHS AND LOWS
Table showing high and low values for various stock indices.

OPTIONS TRADED
Table listing various options traded with details on price and volume.

NEW HIGHS AND LOWS FOR 1977
Table listing new highs and lows for various stock indices in 1977.

RISES AND FALLS YESTERDAY
Table showing rises and falls for various stock indices from the previous day.

ENTERTAINMENT GUIDE

Entertainment Guide listing various theatres, operas, and ballets with showtimes and ticket information.

RECENT ISSUES

Recent Issues table listing various stocks and their recent performance metrics.

FIXED INTEREST STOCKS

Fixed Interest Stocks table listing various fixed interest stocks and their yields.

FT-ACTUARIES SHARE INDICES

FT-Actuaries Share Indices table listing various equity groups and sub-sections with their respective indices.



AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

هللا من الاصل

Table of Authorised Unit Trusts listing various funds such as Crown Shipley & Co. Ltd., Guardian Royal Ex. Unit Mgrs. Ltd., and others with their respective details and performance metrics.

Table of Offshore and Overseas Funds listing various international investment vehicles like Fidelity Mgrt. & Res. (Bda) Ltd., Kamp-Co Management Jersey Ltd., and others.

BASE LENDING RATES

Table of Base Lending Rates for various banks including V. Bank, Hill Samuel, and others, showing interest rates for different terms.

Hill Samuel Base Rate advertisement featuring the Hill Samuel logo and text announcing a change in their base rate for lending from 7% to 6% per annum.

INSURANCE, PROPERTY, BONDS

Large table listing various insurance, property, and bond products from companies like Abbey Life Assurance, Equity & Law Life Ass. Soc. Ltd., and others, including policy details and rates.

CLIVE INVESTMENTS LIMITED advertisement listing services and contact information for Clive Fixed Interest Capital and Clive Fixed Interest Income.

INSURANCE BASE RATES advertisement listing rates for Property Growth (7%) and Cannon Assurance (3 1/2%).







INDUSTRIALS—Continued

Table of industrial stocks including companies like British Petroleum, Shell, and ICI, with columns for stock price, price change, and volume.

INSURANCE—Continued

Table of insurance companies such as Sun Alliance, Commercial Union, and others, listing their stock prices and market performance.

PROPERTY—Continued

Table of property-related stocks and trusts, including various real estate investment trusts and companies.

INV. TRUSTS—Continued

Table of investment trusts, detailing their names, stock prices, and financial metrics.

FINANCE, LAND—Continued

Table of finance and land-related stocks, including banks, insurance companies, and land trusts.

Advertisement for YASUDA TRUST AND BANKING, featuring the company logo and name.

MINES—Continued

Table of mining stocks, including Central African, Australian, and Tins, with columns for stock price and volume.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade companies, listing their names and stock prices.

SHIPBUILDERS, REPAIRERS

Table of shipbuilding and repair companies, including their stock prices and market data.

SHIPPING

Table of shipping companies, listing their names and stock prices.

SHOES AND LEATHER

Table of shoe and leather companies, including their stock prices and market performance.

SOUTH AFRICANS

Table of South African stocks, listing various companies and their stock prices.

Garages and Distributors

Table of garage and distributor companies, including their names and stock prices.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publishing companies, listing their names and stock prices.

PAPER, PRINTING

Table of paper and printing companies, including their names and stock prices.

ADVERTISING

Table of advertising companies, listing their names and stock prices.

PROPERTY

Table of property-related stocks, including various real estate investment trusts.

TOBACCOS

Table of tobacco companies, listing their names and stock prices.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land-related stocks, including various investment trusts.

OILS

Table of oil stocks, including various oil companies and their stock prices.

OVERSEAS TRADERS

Table of overseas trading companies, listing their names and stock prices.

RUBBERS AND SISALS

Table of rubber and sisal stocks, including various commodity companies.

TEAS

Table of tea stocks, including various commodity companies.

MINES

Table of mining stocks, including various mining companies.

CENTRAL RAND

Table of Central Rand mining stocks, including various mining companies.

EASTERN RAND

Table of Eastern Rand mining stocks, including various mining companies.

FAR WEST RAND

Table of Far West Rand mining stocks, including various mining companies.

COPPER

Table of copper stocks, including various mining companies.

MISCELLANEOUS

Table of miscellaneous stocks, including various companies and their stock prices.

NOTES

Notes section providing additional information and commentary on the market data.

REGIONAL MARKETS

Table of regional market data, including stock prices from various international markets.

OPTIONS

Table of options data, including 3-month call rates for various stocks.

DIAMOND AND PLATINUM

Table of diamond and platinum prices, including various commodity prices.

INSURANCE

Table of insurance companies, including their names and stock prices.





## THE LEX COLUMN

# U.S. hopes for Mothercare

Index fell 0.9 to 499.1



Mothercare's interim figures show pre-tax profits up 26 per cent from \$5.1m to \$6.4m. But this was less than the market had been expecting and the shares dipped 16p at one point, before rallying to close 10p down at 180p.

So the prospects for further major growth over the next few years will depend heavily on the success of the U.S. expansion plans. During the six months Mothercare opened 25 stores there to add to the chain of 110 shops it bought in 1976 and has plans for another 11 before the end of the year.

### U.S. bids

Yesterday's news that Bayer has agreed terms for a \$250m bid for Miles Laboratories and that Nestlé is planning an agreed \$270m offer for Alcon Laboratories suggests that the rush of European companies to the U.S. is becoming a stampede.

Standard explanations for this phenomenon include the weakness of the dollar, the availability of long term finance at second half of 1976, when new

annual premiums brought in \$5.4m. In addition higher productivity is apparently improving the export trade. The upshot is that the group feels confident enough to reduce its dividend cover from the 1.75 times of 1976. As a new issue Hambro has been allowed to increase its interim payment by a fifth and it is equally possible—the surplus this year rises from \$4.4m to around \$5m, then the rise in the overall payment could be higher still.

The unit linked business is seeing increasing competition as the established life offices join the marketing fray, and Hambro's rate of expansion obviously slowing. However, a measure of profits growth seems more or less assured for 1977 and this year's dividend could be roughly 10p per share.

Shipping crisis  
The outlook for both the world shipping and shipbuilding industries continues to look decidedly grim. Yesterday the International Maritime Industry Forum (IMIF) was underlining the dangers ahead, but it is still a voice in the wilderness.

According to IMIF, annual operating losses on tankers could amount to \$400m, the tanker fleet is rising to nearly 52m dwt by 1985. While the problem of the tanker industry are well known, it was less serious position in developing a dry bulk sector. The receding of oil prices has also been the world's biggest LNG exporters highlight the deteriorating financial position of many companies in the non-tanker trades.

# Ministers pledge 4% EEC growth

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT LUXEMBOURG, Oct. 17.

IN AN ATTEMPT to avert a new economic slowdown, EEC Finance Ministers pledged themselves today to take action necessary to ensure that the nine's total gross domestic product grows by at least 4 to 5 per cent in real terms next year. This target is a percentage point above the 1978 growth rate projected on the basis of current national policies by the European Commission, which has estimated that the EEC will manage a real increase of about 2.5 to 3 per cent in GDP this year.

Other governments made it clear today that though they were ready to play their part, they expected West Germany to bear the primary responsibility for ensuring that the higher overall growth rate was attained. And that this would probably necessitate additional measures beyond the DM10bn (£4bn) reflationary package announced by Bonn several weeks ago.

# Pilkington to go ahead with £70m. factory

BY DAVID FREUD, INDUSTRIAL STAFF

PILKINGTON BROTHERS, the glass manufacturer, yesterday announced the go-ahead for a £70m. new plant project which it had abandoned three years ago because of economic uncertainty and "until such time as essential changes in taxation and price control are made."

# Australia 'prepared to use armed forces for uranium exports'

BY KENNETH RANDALL CANBERRA, Oct. 17.

MR. TOM UREN, deputy leader of the opposition, said today that he had "fairly reliable information" that the Government was prepared to use the armed forces, if necessary, to move uranium and other minerals due for export from Australia next month.

Mr. Uren's speech was the first public airing of reports which have been circulating in the past week that the Government has drawn up a series of contingency plans to meet expected demonstrations and trade union black bans (boycotts) directed at yellowcake exports from the Mary Kathleen Uranium (MKU) mine in Queensland.

While there has been no official confirmation of the plans, the Government has been widely accepted as fact among Government MPs, many of whom have been attending, along with senior Ministers, the annual meeting of the Liberal Party Federal Council during the past three days.

There was an equal conviction among most delegates to the Liberal Party meeting that their leader Mr. Malcolm Fraser, the Prime Minister, was now determined to give the uranium industry a "green light" in the coming weeks. "We must take great care on this issue of confrontation," the planned protests would require a difficult organisation, internal discipline and a determination not to be provoked.

He also warned against the possible pricing of agents provocateurs in the ranks of the protesters and commended the procedures that had been adopted in the mass demonstrations during Australia's Vietnam war involvement—a parallel now being drawn more and more often on both sides of the uranium argument.

Mr. Fraser announced a series of new trade union control measures at the Liberal Party meeting. Legislation to implement the first of them is expected to be presented before the end of this week.

Mr. Fraser said the new legislation would provide heavier penalties for breaches of industrial laws and give the industrialists more power to take action against decisions of the arbitration authorities more power to deal with jurisdictional disputes between unions.

# World sea forum points to shipyard over-capacity

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

BETWEEN \$50bn. (250bn.) and \$80bn. (400bn.) of Government subsidies are likely to be committed in sustaining over-capacity in the world shipbuilding industry between 1978 and 1985, said a report yesterday from the International Maritime Industry Forum.

Unless radical action was taken, "there could be a dramatic change in the whole structure of ownership, management and operation of the free world's shippings."

The forum, whose membership is drawn from shipowners, shipbuilders and bankers in Europe, Japan and the Middle East, identifies two major future drains on Government finance: annual operating losses by oil tankers reaching \$2bn (£1.1bn.) a year by 1980; and direct subsidies to shipyards of between \$1bn. (£500m.) between 1978 and 1980, depending on the degree of shipbuilding over-capacity by that time.

# Settlement of offset costs issue expected

BY ADRIAN DICKS BONN, Oct. 17.

THE INFORMAL summit talks between Mr. James Callaghan and Herr Helmut Schmidt, and Herr Helmut Schmidt, West German Chancellor, due to take place in Bonn tomorrow, are expected to provide an occasion for announcing settlement of the long-smouldering offset costs issue, as well as for top-level efforts to break the Anglo-German stalemate in several areas of European Community policy.

Closure of the offset issue will remove what to the German side is a persistent, if never critical, irritant in relations with London. Bonn is expected to offer about the DM400m. (about £100m.) over the next three years towards the foreign exchange costs of the British Army on the Rhine, but to be given a formal undertaking by the British Government that the agreement will be the last of its kind.

The terms of the agreement, believed to have been discussed when the Prime Minister was due to come here last month, have now been concluded. This was confirmed by Dr. David Owen, the Foreign Secretary, in an interview in this week's issue of Der Spiegel.

# Concorde for New York

Continued from Page 1

Mr. Gordon Davidson, BA's Concorde director, said that what the airlines now had to do was to convince the Government of New York, as well as the people, hours 45 minutes flying.

That Concorde is not the terrible beast they think it is. "I think it will fit into the pattern of things in the same way as it has in London and Washington and elsewhere."

Some of the groups leaders have threatened to invade the airport and block the roads and runways, out a more likely demonstration will be outside the British Airways and international arrivals terminals.

## The new Grundig Stenorette 201

### It leaves other dictation machines lost for words.

The 2010 is slimmer than many of its competitors, so it fits neatly into your pocket, without spoiling the line of your shirt. It has a fast forward reverse button that allows you to cover minutes in seconds with the flick of a finger. It takes the Steno-cassette which lasts a full 30 minutes on one side.

The best most of our competitors can manage is 15 minutes. It also works off a mains adaptor, (like the rechargeable battery, it's an optional extra).

It has capstan drive for constant speed to prevent your voice distorting. And the Steno-cassette has a built-in time indicator to let you know how much you can say and how much more your secretary has to type. These features add up to the best value for money around. And that's enough to leave most of our competitors speechless. And most people lost for words.

For further information on the Grundig Stenorette 2010, fill in the coupon and post to: Grundig International Ltd., Newlands Park, London SE26 5NQ. Tel: 01-659 2468.

Name \_\_\_\_\_ Tel. \_\_\_\_\_  
Company \_\_\_\_\_ Position \_\_\_\_\_  
Address \_\_\_\_\_

**GRUNDIG**

### Weather

U.K. TO-DAY  
FOG IN many districts, persisting in N., E. England and Scotland. Some sunshine where fog lifts and in west.  
London, S.E., Cent. N., and N.W. England, E. Anglia, Midlands, Lakes  
Fog, dense at first, thinning to give some sunshine. Wind light. Max. 17C (63F).  
E. and N. England, Borders, Edinburgh, Dundee, Aberdeen.

Cent. Highlands, Moray Firth, N.E. Scotland, Orkney, Shetland  
Fog persisting in places, dense at times. Wind light. Max. 11C (52F).  
Channel Is., S.W. England, S. Wales  
Rather cloudy at times, perhaps rain, and hill fog in places. Wind moderate or fresh in places. Max. 16 to 18C (61-64F).  
N. Wales, Isle of Man, S.W. and N.W. Scotland, Glasgow, Argyll, N. Ireland

### BUSINESS CENTRES

City	Temp	City	Temp
Amsterdam	10	Luxembourg	10
Antwerp	11	Madrid	15
Berlin	12	Moscow	10
Brussels	11	New York	15
Budapest	13	Osaka	16
Cairo	23	Paris	11
Cardiff	15	Perth	10
Colombo	28	Prague	10
Copenhagen	15	Rome	15
Dublin	10	Singapore	28
Edinburgh	10	Sydney	22
Frankfurt	10	Tokyo	17
Glasgow	10	Toronto	10
Helsinki	10	Vienna	11
London	10	Warsaw	11
London	10	Zurich	10

### HOLIDAY RESORTS

City	Temp	City	Temp
Atlixco	21	Island	11
Bahia	25	Jersey	15
Barcelona	18	Las Vegas	24
Buenos Aires	19	Malaga	23
Cardiff	15	Moscow	10
Colombo	28	Nairobi	22
Copenhagen	15	Naples	18
Dublin	10	Nice	18
Edinburgh	10	Perth	10
Frankfurt	10	Rome	15
Glasgow	10	Singapore	28
Helsinki	10	Tokyo	17
London	10	Toronto	10
London	10	Vienna	11
London	10	Warsaw	11
London	10	Zurich	10

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